

ANNUAL FINANCIAL REPORT
OF THE
CITY OF OTTUMWA, IOWA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2006

DEPARTMENT OF FINANCE

MICHAEL P. HEFFERNAN
DIRECTOR OF FINANCE

CITY OF OTTUMWA, IOWA

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COMPREHENSIVE ANNUAL REPORT

CITY OF OTTUMWA, IOWA

MAYOR - COUNCIL

MAYOR

Dale M. Uehling

CITY COUNCIL

Tom Shepard
Gerald Brees
Gordon Aistrophe
Shannon Addison
Bob Meyers

TERM EXPIRES

January 2, 2008
January 2, 2008
January 4, 2010
January 4, 2010
January 4, 2010

CITY CLERK

Ann Cullinan

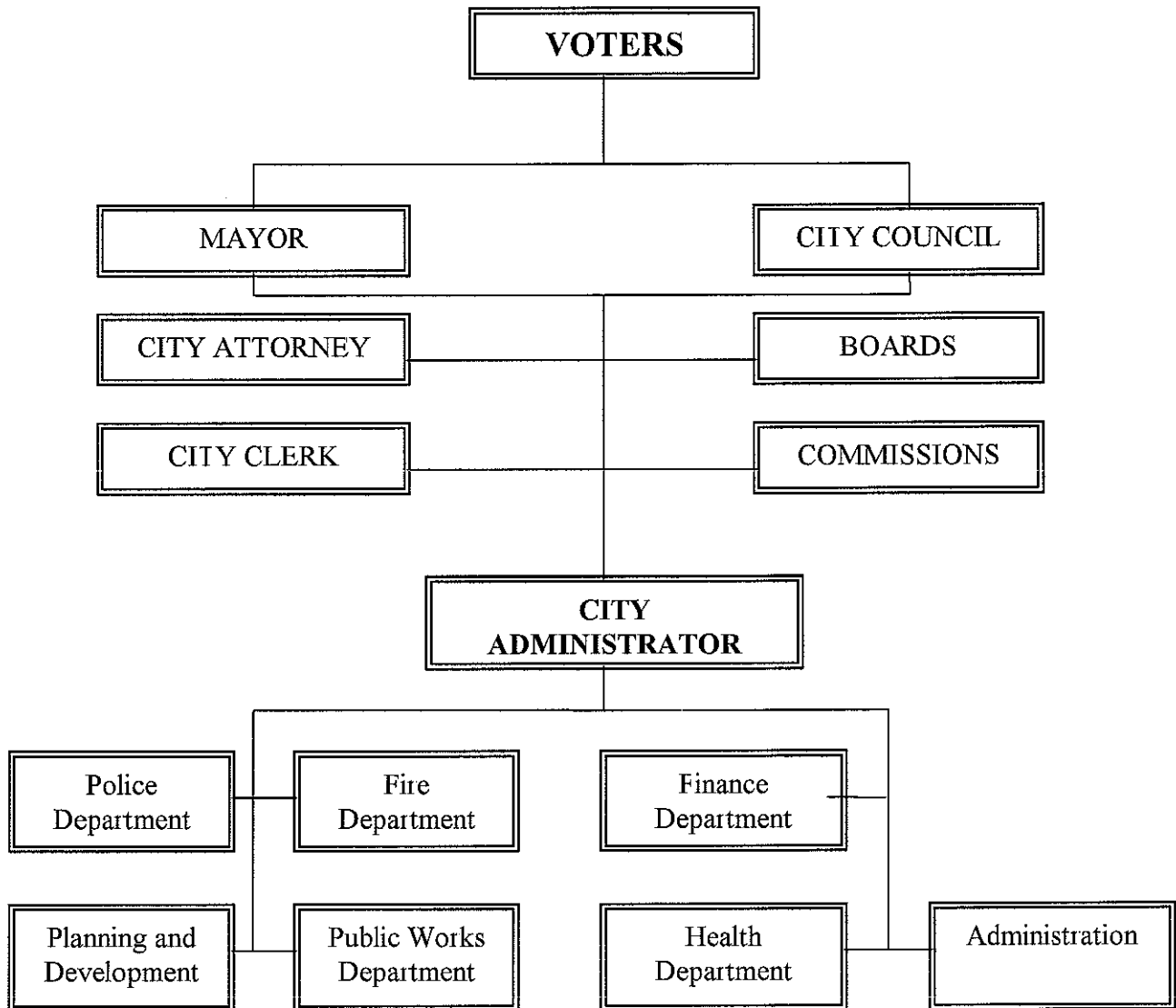
CITY ADMINISTRATOR

Andy Morris

CITY ATTORNEY

Tom Kintigh

CITY OF OTTUMWA





September 8, 2006

CITY OF BRIDGES...RIVER OF OPPORTUNITY

To the Honorable Mayor, Members of the
City Council, City Administrator and
Citizens of the City of Ottumwa

State law requires that every City with a population over 700 complete a set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Anderson, Larkin & Co. P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Ottumwa's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Ottumwa, incorporated in 1851, is located in the southeastern part of the state. It currently occupies 16 square miles and serves a population of 24,998. The City of Ottumwa is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation.

The City of Ottumwa has operated under the Mayor-Council form of government since 1988 with an appointed city administrator. Policy-making and legislative authority are vested in the City Council consisting of five members, all elected on a non-partisan basis. The Council appoints the city administrator, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three and two members elected every two years. The mayor is elected for a two-year term. The mayor and council members are all elected at large.

The City of Ottumwa provides a full range of municipal services. These services include public safety (Police and Fire), solid waste disposal, parks and recreation, planning and zoning, water and sewer, public improvements, airport, health and social services, mass transportation and general administrative services.

The Ottumwa Housing Authority and Ottumwa Water & Hydro are considered by the City to be substantially autonomous organizations and are, therefore, not included in this report. The City has two funds that are presented on discrete presentation basis. They are the Hazardous Materials (operated by the Ottumwa Fire Department) and 10-15 Transit (operated by the Ottumwa Transit Authority) funds. Both are the result of Chapter 28.e. agreements executed by County governments in Southeast Iowa. The City is in charge of accounting, cash management and financial reporting for these 28.e organizations, however, they operate autonomously from the City Council, thus they are presented discretely.

In accordance with the Code of Iowa, the City Council annually adopts a budget on substantially the same basis used for financial reporting following required public notice and hearing for all funds. The City budgets capital items and debt principal in the proprietary funds. In addition, depreciation is not budgeted in the proprietary funds. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification of the city administrator. The budget is formally amended by the City Council following the required public notice and hearing. Annual appropriated budgets are adopted for all City funds. All annual appropriations lapse at fiscal year end.

Formal and legal budgetary control is based upon nine major classes of expenditures, known as functions, not by fund. These nine functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Expenditures may not exceed the overall appropriation for the City. Management may transfer appropriations within each function.

The city administrator presents the annual budget to the City Council for consideration no later than January 31. The Council holds hearings with the public prior to the budget being adopted. By March 15, the adopted budget is certified to the County Auditor who, in turn, certifies the City budget to the Iowa Department of Management.

This budget is effective July 1 and becomes the appropriations for the fiscal year. Strong emphasis is placed on monitoring of budgets especially by major classifications such as personal services, commodities and contractual services and capital outlay. Monthly reports are prepared for each activity and program in order to assure that program expenditures do not exceed budgeted amounts.

Ottumwa has a diversified industrial base and is the manufacturing center for Southeast Iowa. The John Deere Ottumwa Works has 950 employees engaged in manufacturing of agricultural implement equipment. Cargill, Inc., located in nearby Eddyville, employs 600 people at its corn milling and processing plant. Cargill Meat Solutions is the largest employer with 2,250 employees at its pork processing facility. More than 30 additional manufacturers provide from 3 to 250 jobs each.

Public safety costs continue to increase and consume 84% of the net General Fund expenditures (property taxes). Expenses for Public Service have been increasing as well due in part to using local option sales tax to finance an expanded street repair program.

Capital Grants revenue has been increasing significantly due mainly to the construction of the Bridge View Events Center financed in part with a \$7.5 million Vision Iowa Grant.

Long-term Financial Planning

The unreserved fund balance in the General Fund was 16.9% of General Fund revenue. The City Council does not have a formal policy on a targeted fund balance. The fund balance is expected to drop approximately \$360,000 for fiscal year 2007 due to a combination of delayed expenditures and the cost of opening and operating the new Bridge View Events Center.

Major Initiatives

The Bridge View Events Center was under construction as of June 30, 2006 and opened on December 31, 2006. This is a \$23 million project financed from City of Ottumwa bonds (being repaid with sales tax revenue), private contributions, including a \$2 million endowment fund (managed by Bridge View Center, Inc., a 501(c)(3) not-for-profit corporation), and a \$7.5 million Vision Iowa Grant. The event center includes a 40,000 square foot exhibit hall, a 650 seat theatre/auditorium and meeting rooms.

The South Ottumwa Sewer Separation Project was under final design as of June 30, 2006. Phase One of the project is estimated to cost approximately \$10 million and is being funded by a \$5.5 million STAG federal grant and a \$4.5 million general obligation loan state revolving loan (to be paid back with sales tax revenue).

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ottumwa for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the twelfth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the city administrator, mayor and the City council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Ottumwa's finances.

Respectfully submitted,



Michael P. Heffernan, CPA
Director of Finance/City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ottumwa
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Hain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

CITY OF OTTUMWA, IOWA



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Ottumwa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 8, 2006 on our consideration of the City of Ottumwa, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 and 51 through 53, are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ottumwa, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 15, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
September 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ottumwa, Iowa, we offer readers of the City of Ottumwa's financial statements this narrative overview and analysis of the financial statements of the City of Ottumwa for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages VI to VIII of this report.

Financial Highlights

- The assets of the City of Ottumwa exceeded its liabilities at the close of June 30, 2006, by \$67.3 million (net assets). Of this amount, \$9.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net assets increased by \$10.6 million.
- At the close of the current fiscal year, the City of Ottumwa's governmental funds reported combined ending fund balances of \$13.0 million, a decrease of \$6.3 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1.8 million, or 17.8 percent of the total general fund expenditures.
- Total general obligation debt decreased by \$2.3 million (12.9 percent) during the current fiscal year. The City issued \$.5 million new bonds and retired \$2.8 million of existing bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Ottumwa's basic financial statements. The City of Ottumwa's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The first two statements are highly condensed and present a government-wide view of the City's finances. The governmental activities of the City of Ottumwa include general government, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities. The major business-type activities of the City include a solid waste and sewer system. Included within other business type activities are a transit system, and a golf course. The City's two component units, Hazardous Materials and 10-15 Transit System, are also included. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets. The Statement of Net Assets presents information on all of the City of Ottumwa's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Starting with the adoption of GASB 34, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business activities have long reported capital assets and long-term liabilities.

The Statement of Activities is also included in the government-wide financial statements. The focus of the Statement of Activities is to show how the government's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide statements include the Statement of Net Assets and the Statement of Activities and can be found on pages 9 through 11 of this report.

Statement of Net Assets for the Fiscal Year Ended June 30, 2006.

This section discusses and analyzes the significant differences between this and the prior fiscal year. A condensed version of the Statement of Net Assets as of June 30, 2006 and 2005 follows:

Statement of Net Assets at Year-end (In Thousands)

	June 30, 2006			June 30, 2005 As Restated		
	Governmental Activities	Business type Activities	Total Government	Governmental Activities	Business type Activities	Total Government
Cash and investments	\$15,556.4	\$ 4,051.8	\$ 19,608.2	\$19,797.4	\$ 4,318.0	\$24,115.4
Other assets	13,570.0	1,326.0	14,896.0	12,992.1	912.8	13,904.9
Capital assets	<u>52,919.3</u>	<u>21,021.7</u>	<u>73,941.0</u>	<u>24,491.1</u>	<u>20,802.8</u>	<u>60,301.2</u>
Total assets	<u>82,045.7</u>	<u>26,399.5</u>	<u>108,445.2</u>	<u>57,280.6</u>	<u>26,033.6</u>	<u>98,321.5</u>
Other liabilities	14,902.3	1,179.1	16,081.4	12,662.2	944.4	13,606.6
Noncurrent liabilities	<u>14,569.8</u>	<u>10,516.9</u>	<u>25,086.7</u>	<u>16,690.1</u>	<u>11,352.3</u>	<u>28,042.4</u>
Total liabilities	<u>29,472.1</u>	<u>11,696.0</u>	<u>41,168.1</u>	<u>29,352.3</u>	<u>12,296.7</u>	<u>41,649.0</u>
Net assets:						
Invested in capital assets, net of related debt	43,833.3	11,773.7	55,607.0	34,617.3	10,829.8	45,447.1
Restricted	296.9	1,453.1	1,750.0	203.1	1,544.2	1,747.3
Unrestricted	<u>8,443.4</u>	<u>1,476.7</u>	<u>9,920.1</u>	<u>8,115.2</u>	<u>1,362.9</u>	<u>9,478.1</u>
Total net assets	<u>\$52,573.6</u>	<u>\$14,703.5</u>	<u>\$ 67,277.1</u>	<u>\$42,935.6</u>	<u>\$13,736.9</u>	<u>\$56,672.5</u>

Governmental Activities

Net assets increased in part due to capital assets increasing \$13.6 million for fiscal year 2006. A substantial portion of these capital assets were paid with Federal and State grants. Another reason for the increase is the reduction of debt balances. Net assets as of June 30, 2005 have been restated and increased by \$15 million to reflect the capitalization of infrastructure, etc. acquired from 1980 to 2003.

Business-Type Activities

The net assets for business type activities increased \$966,576 or 7 percent.

Statement of Activities for the Fiscal Year Ended June 30, 2006:

A summary version of the Statement of Activities follows:

Governmental and Proprietary Activities For Fiscal Years Ending June 30, 2006 and 2005 (In Thousands)

	June 30, 2006			June 30, 2005		
	Governmental Activities	Business type Activities	Total Government	Governmental Activities	Business type Activities	Total Government
Revenues:						
Charges for services	\$ 7,360.5	\$ 6,302.5	\$13,663.0	\$ 5,477.8	\$ 5,478.0	\$10,955.8
Operating grants and contributions	2,903.2	469.3	3,372.5	2,908.6	238.6	3,147.2
Capital grants and contributions	5,151.4	566.8	5,718.2	2,830.5	519.2	3,349.7
General revenues:						
Property taxes	10,337.9	336.3	10,674.2	10,151.9	323.8	10,475.7
Local option sales tax	2,790.5	-	2,790.5	490.2	-	2,359.5
Other taxes	499.4	-	499.4	2,359.5	-	490.2
Investment income	268.5	168.5	437.0	195.0	153.7	348.7
Other	<u>22.2</u>	<u>-</u>	<u>22.2</u>	<u>138.3</u>	<u>-</u>	<u>138.3</u>
Total revenues	<u>\$29,333.6</u>	<u>\$ 7,843.4</u>	<u>\$37,177.0</u>	<u>\$24,551.8</u>	<u>\$ 6,713.3</u>	<u>\$31,265.1</u>

	June 30, 2006			June 30, 2005		
	Governmental Activities	Business type Activities	Total Government	Governmental Activities	Business type Activities	Total Government
Expenses:						
General government	\$ 2,711.2	\$ -	\$ 2,711.2	\$ 2,509.5	\$ -	\$ 2,509.5
Public safety	5,684.4	-	5,684.4	5,555.1	-	5,555.1
Public services	6,858.9	-	6,858.9	5,420.6	-	5,420.6
Culture and recreation	1,981.8	-	1,981.8	984.4	-	984.4
Community development	1,466.7	-	1,466.7	1,896.1	-	1,896.1
Interest on long-term debt	634.0	369.6	1,003.6	608.9	412.2	1,021.1
Solid waste	-	1,675.5	1,675.5	-	1,873.9	1,873.9
Sewer utility	-	3,482.5	3,482.5	-	3,220.7	3,220.7
Ottumwa Transit	-	1,144.1	1,144.1	-	1,058.5	1,058.5
Golf course	-	587.7	587.7	-	556.4	556.4
Total expenses	<u>19,337.0</u>	<u>7,259.4</u>	<u>26,596.4</u>	<u>16,974.6</u>	<u>7,121.7</u>	<u>24,096.3</u>
Transfers	<u>(358.6)</u>	<u>382.6</u>	<u>24.0</u>	<u>(135.1)</u>	<u>135.1</u>	<u>-</u>
Change in net assets	9,638.0	966.6	10,604.6	7,442.1	(273.3)	7,168.8
Beginning net assets, as restated	<u>42,935.6</u>	<u>13,736.9</u>	<u>56,672.5</u>	<u>35,493.5</u>	<u>14,010.2</u>	<u>49,503.7</u>
Ending net assets	<u>\$52,573.6</u>	<u>\$14,703.5</u>	<u>\$67,277.1</u>	<u>\$42,935.6</u>	<u>\$13,736.9</u>	<u>\$56,672.5</u>

Governmental Activities

Charges for services make up 25 percent of governmental revenues. Operating and capital grants, primarily due to the Vision Iowa Grant (\$4.6 million) to assist in the construction of the Bridge View Events Center, make up another 27 percent of governmental revenues. The remaining revenue comes from taxes, primarily property taxes (35 percent) and local option sales tax (10 percent).

Business Type Activities

As expected charges for services is the primary revenue source for business type activities. Sewer fees make up the largest portion (50 percent) of total revenues. Other significant items are landfill fees at 21 percent and Golf Course fees at 7 percent of total revenue. Sewer fees increased 22 percent primarily due to a rate increase.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ottumwa maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Employee Benefits, Events Center, and Debt Service Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report. The basic governmental fund financial statements can be found on pages 12 through 17.

Significant changes in fund balances are summarized below:

General Fund – Increased \$370,734, primarily due to vacancies, higher than anticipated investment income and deferred capital expenditures.

Event Center Construction – Decreased \$7.3 million due to construction of the Bridge View Center.

Local Option Sales Tax – Increased \$585,086 due to higher than anticipated sales tax revenue and delays in sewer construction projects.

Proprietary Funds

The City of Ottumwa maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Solid Waste, Golf Course and Transit System. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Ottumwa uses internal service funds to account for its payroll clearing, equipment purchasing and employee insurance functions. Because all of these services predominately benefit governmental rather than business type functions, they have been included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste and Sewer Utility as these are considered major funds of the City. Data from the other two enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All Internal Service funds are combined into a single aggregate presentation in the proprietary fund financial statements. Individual fund amounts for internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 18 through 23 of this report.

Significant changes in net assets are summarized below:

Sewer Utility – Increased \$827,110 due to a combination of increased sewer fee revenue and an EPA grant for the South Ottumwa Sewer Separation Project, partially offset by higher operating costs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the amounts provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budget to actual comparisons for all budgetary funds. Required supplementary information can be found on pages 51 through 53 of this report.

The combining statements referred to earlier in connection with non-major special revenue, capital projects, and permanent funds (governmental), non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information discussed above. Combining and individual fund statements and schedules can be found on pages 54 through 71 of this report.

Budgetary Highlights

The City had three budget amendments during the fiscal year. The following summarizes the impact of the amendments on the General Fund. The total budgeted expenditures were increased \$352,144. Most of the amendment was for Public Safety (police and fire) personal services and vehicle fuel/maintenance totaling \$178,144. Other increases included \$100,000 for Health and Social Services for housing cleanups and weed mowing; and \$74,000 for Culture and Recreation for a tennis court project.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2006, the City had invested \$73.9 million in capital assets as are reflected in the following table. This investment includes land, buildings, improvements, machinery and equipment. Infrastructure completed this year is included. Additional information on the City of Ottumwa's capital assets can be found in notes on pages 34 through 38 of this report.

Capital Assets at Fiscal Year-End (Net of Depreciation) (In Thousand's)

	Governmental Activities		Business Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 4,804.9	\$ 4,789.0	\$ 206.0	\$ 195.2	\$ 5,010.9	\$ 4,984.2
Buildings	3,463.3	3,291.9	14,243.8	14,969.5	17,707.1	18,261.4
Improvements other than buildings	681.8	457.2	2,516.1	2,336.1	3,197.9	2,793.3
Machinery and equipment	2,374.6	2,606.1	2,373.8	2,347.9	4,748.4	4,954.0
Infrastructure	26,293.0	11,092.5	857.7	852.8	27,150.7	11,945.3
Construction in progress	<u>15,301.7</u>	<u>2,254.4</u>	<u>824.3</u>	<u>101.3</u>	<u>16,126.0</u>	<u>2,355.7</u>
Total	<u>\$ 52,919.3</u>	<u>\$ 24,491.1</u>	<u>\$ 21,021.7</u>	<u>\$ 20,802.8</u>	<u>\$ 73,941.0</u>	<u>\$ 45,293.9</u>

The following table reconciles the changes in capital assets. Included with additions are construction in progress balances.

Change in Capital Assets (In Thousand's)

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$ 24,491.1	\$ 20,802.8	\$ 45,293.9
Additions, net of disposals	16,164.9	1,834.5	17,999.4
Depreciation	2,744.0	1,615.6	4,359.6
Infrastructure capitalized From 1980 to 2003	<u>15,007.3</u>	<u>-</u>	<u>15,007.3</u>
Ending balance	<u>\$ 52,919.3</u>	<u>\$ 21,021.7</u>	<u>\$ 73,941.0</u>

Debt Administration

The amount of debt outstanding at fiscal year end was \$23.9 million as compared to \$26.8 million last fiscal year. New debt issued during the year amounted to \$ 5 million, while a total of \$3.4 million was retired. Of the total debt outstanding, \$15.3 million is backed by the full faith and credit of the City. The remaining \$8.6 million is backed by sewer revenue.

		Outstanding Debt at Year End (In Thousand's)	
		TOTAL	
		2006	2005
Governmental			
General obligation			
Abated by:			
Property taxes	\$	2,867.8	\$ 4,140.1
Tax increment		2,937.0	2,826.0
Sales tax		8,765.0	9,720.0
Haz-Mat (SIRG)		83.0	100.0
Subtotals		<u>14,652.8</u>	<u>16,786.1</u>
Business type			
General obligation			
Abated by:			
Solid waste		95.0	180.0
Golf course/Property taxes		530.0	570.0
Sewer revenue		<u>8,623.0</u>	<u>9,223.0</u>
Subtotals		<u>9,248.0</u>	<u>9,973.0</u>
Totals	\$	<u>23,900.8</u>	<u>\$ 26,759.1</u>

Moody's Investor Services continues to rate the City's general obligation bonds A3.

For more detailed information on the City's debt and amortization terms, please refer to pages 39 through 41 and 43 through 45 of the Notes to Financial Statements.

Economic Factors

Taxable sales increased approximately 6 percent this year. A significant portion of the increase is attributed to the completion of the new Menards store and other development in the Westgate TIF district.

During the current fiscal year, the unreserved fund balance in the general fund increased to \$1,756,927, an increase of \$367,520 over last year. This was due to a combination of vacant positions, higher investment income and some capital items deferred.

Next Year's Budget and Rates

Taxable values increased by 4.9 percent which provides the general fund a 1.8 percent increase in revenue. The total tax levy increased \$.02 per \$1,000 or .1 percent.

Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need financial information, please contact the Office of the Director of Finance/City Treasurer at City Hall, 105 East Third Street, Ottumwa, Iowa 52501-2904.

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Hazardous Materials	10-15 Transit	
<u>ASSETS</u>						
Cash and cash equivalents	\$ 15 556 428	\$ 3 051 777	\$ 18 608 205	\$ 83 625	\$ 124 602	\$ 18 816 432
Investments	-	1 000 000	1 000 000	-	-	1 000 000
Receivables:						
Property taxes	10 966 521	362 280	11 328 801	-	-	11 328 801
Accounts	570 873	420 973	991 846	-	26 186	1 018 032
Other governments	1 653 395	252 392	1 905 787	500	-	1 906 287
Due from other funds	113 214	75 000	188 214	-	-	188 214
Internal balances	(11 942)	12 690	748	133	(881)	-
Inventory	26 738	46 208	72 946	-	-	72 946
Prepaid insurance	226 183	78 508	304 691	6 282	10 109	321 082
Deposit	25 000	-	25 000	-	-	25 000
Capital assets:						
Land	4 804 854	205 978	5 010 832	-	-	5 010 832
Buildings	10 912 206	23 386 456	34 298 662	204 082	-	34 502 744
Improvements other than buildings	1 122 002	4 513 945	5 635 947	-	-	5 635 947
Machinery and equipment	7 019 506	6 646 251	13 665 757	190 685	2 457 680	16 314 122
Infrastructure	51 123 654	926 198	52 049 852	-	-	52 049 852
Construction in progress	15 301 738	824 341	16 126 079	-	-	16 126 079
Less accumulated depreciation	(37 364 703)	(15 481 477)	(52 846 180)	(102 431)	(1 073 302)	(54 021 913)
Intangible assets	-	170 662	170 662	-	-	170 662
Less amortization	-	(92,653)	(92,653)	-	-	(92,653)
 TOTAL ASSETS	 \$ 82,045,667	 \$ 26,399,529	 \$ 108,445,196	 \$ 382,876	 \$ 1,544,394	 \$ 110,372,466
<u>LIABILITIES AND NET ASSETS</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ 3 311 232	\$ 308 470	\$ 3 619 702	\$ 9 258	\$ 44 799	\$ 3 673 759
Wages and benefits payable	147 900	45 300	193 200	-	14 800	208 000
Accrued interest payable	58 639	28 070	86 709	-	-	86 709
Compensated absences	456 094	119 488	575 582	-	5 740	581 322
Unearned property tax revenue	10 692 719	353 470	11 046 189	-	-	11 046 189
Unearned revenue	232 506	72 375	304 881	-	-	304 881
Due to other governments	-	66 924	66 924	-	-	66 924
Due to other funds	3 214	185 000	188 214	-	-	188 214
Accrued landfill costs:						
Closure	-	667 897	667 897	-	-	667 897
Post closure	-	600 982	600 982	-	-	600 982
Long-term liabilities:						
Portion due and payable within one year	2 909 545	919 000	3 828 545	18 000	-	3 846 545
Portion due and payable after one year	11,660,229	8,329,043	19,989,272	65,000	-	20,054,272
 TOTAL LIABILITIES	 29,472,078	 11,696,019	 41,168,097	 92,258	 65,339	 41,325,694
<u>NET ASSETS:</u>						
Investment in capital assets net of related debt	43 833 318	11 773 649	55 606 967	209 336	1 384 378	57 200 681
Restricted for:						
Capital/construction	-	218 179	218 179	-	-	218 179
Debt service	296 875	1 235 000	1 531 875	-	-	1 531 875
Unrestricted	8,443,396	1,476,682	9,920,078	81,282	94,677	10,096,037
 TOTAL NET ASSETS	 \$ 52,573,589	 \$ 14,703,510	 \$ 67,277,099	 \$ 290,618	 \$ 1,479,055	 \$ 69,046,772

CITY OF OTTUMWA, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,711,182	\$ 1,537,329	\$ 40,890	\$ -
Public safety	5,684,351	463,750	583,608	-
Public services	6,858,860	2,812,289	1,840,404	568,481
Culture and recreation	1,981,786	856,358	29,340	-
Community development	1,466,695	1,690,762	408,995	4,582,926
Interest on long-term debt	634,045	-	-	-
Total governmental activities	<u>19,336,919</u>	<u>7,360,488</u>	<u>2,903,237</u>	<u>5,151,407</u>
Business type activities:				
Solid waste	1,685,818	1,674,312	-	-
Sewer utility	3,841,784	3,911,419	-	347,008
Other business-type activities	<u>1,731,763</u>	<u>716,779</u>	<u>469,282</u>	<u>219,792</u>
Total business-type activities	<u>7,259,365</u>	<u>6,302,510</u>	<u>469,282</u>	<u>566,800</u>
Total primary government	\$ <u>26,596,284</u>	\$ <u>13,662,998</u>	\$ <u>3,372,519</u>	\$ <u>5,718,207</u>
Component units:				
Hazardous materials	\$ 113,485	\$ 4,135	\$ 125,657	\$ -
10-15 transit	<u>1,737,036</u>	<u>775,475</u>	<u>603,675</u>	<u>271,713</u>
Total component units	\$ <u>1,850,521</u>	\$ <u>779,610</u>	\$ <u>729,332</u>	\$ <u>271,713</u>
General revenues:				
Taxes:				
Property taxes				
Local option taxes				
Other taxes				
Unrestricted investment income				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - Beginning of year, as restated				
Net assets - End of year				

Governmental Activities	Primary Government		Component Units		Total Reporting Unit
	Business Type Activities	Total	Hazardous Materials	10-15 Transit	
\$ (1,132,963)	\$ -	\$ (1,132,963)	\$ -	\$ -	\$ (1,132,963)
(4,636,993)	-	(4,636,993)	-	-	(4,636,993)
(1,637,686)	-	(1,637,686)	-	-	(1,637,686)
(1,096,088)	-	(1,096,088)	-	-	(1,096,088)
5,215,988	-	5,215,988	-	-	5,215,988
(634,045)	-	(634,045)	-	-	(634,045)
(3,921,787)	-	(3,921,787)	-	-	(3,921,787)
-	(11,506)	(11,506)	-	-	(11,506)
-	416,643	416,643	-	-	416,643
-	(325,910)	(325,910)	-	-	(325,910)
-	79,227	79,227	-	-	79,227
(3,921,787)	79,227	(3,842,560)	-	-	(3,842,560)
-	-	-	16,307	-	16,307
-	-	-	-	(86,173)	(86,173)
-	-	-	16,307	(86,173)	(69,866)
10,337,889	336,261	10,674,150	-	-	10,674,150
2,790,484	-	2,790,484	-	-	2,790,484
499,408	-	499,408	-	-	499,408
268,439	168,543	436,982	8,562	5,300	450,844
22,192	-	22,192	736	37,647	60,575
(358,589)	382,545	23,956	(23,956)	-	-
13,559,823	887,349	14,447,172	(14,658)	42,947	14,475,461
9,638,036	966,576	10,604,612	1,649	(43,226)	10,563,035
42,935,553	13,736,934	56,672,487	288,969	1,522,281	58,483,737
\$ 52,573,589	\$ 14,703,510	\$ 67,277,099	\$ 290,618	\$ 1,479,055	\$ 69,046,772

CITY OF OTTUMWA, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Capital Projects Events Center</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,131,398	\$ 662,713	\$ 3,683,835
Receivables:			
Property taxes	3,626,948	4,044,957	64,484
Accounts	236,534	-	130,240
Other governments	57,883	-	468,864
Due from other funds	113,214	-	-
Inventory	5,069	-	-
Prepaid insurance	-	-	-
Deposit	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>6,171,046</u>	\$ <u>4,707,670</u>	\$ <u>4,347,423</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 257,046	\$ -	\$ 1,884,060
Wages and benefits payable	117,800	-	-
Compensated absences	362,223	-	-
Unearned property tax revenue	3,534,622	3,946,580	64,484
Unearned revenue	29,214	-	-
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>4,300,905</u>	<u>3,946,580</u>	<u>1,948,544</u>
<u>FUND BALANCES:</u>			
Reserved for:			
Capital/construction	-	-	2,398,879
Prepaid insurance	-	-	-
Advances	113,214	-	-
Employee benefits	-	761,090	-
Endowments	-	-	-
Insurance	-	-	-
Debt service	-	-	-
Unreserved:			
Reported in:			
General fund	1,756,927	-	-
Special revenue funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,870,141</u>	<u>761,090</u>	<u>2,398,879</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,171,046</u>	\$ <u>4,707,670</u>	\$ <u>4,347,423</u>

See Accompanying Notes to Financial Statements

Exhibit 3

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 256,047	\$ 7,277,338	\$ 14,011,331
	-	
1,637,197	1,592,935	10,966,521
-	204,099	570,873
-	706,571	1,233,318
-	-	113,214
-	21,669	26,738
-	176,015	176,015
-	25,000	25,000
<u>\$ 1,893,244</u>	<u>\$ 10,003,627</u>	<u>\$ 27,123,010</u>
\$ -	\$ 482,448	\$ 2,623,554
-	30,100	147,900
-	93,871	456,094
1,596,369	1,550,664	10,692,719
-	160,776	189,990
-	3,214	3,214
<u>1,596,369</u>	<u>2,321,073</u>	<u>14,113,471</u>
-	5,023,823	7,422,702
-	176,015	176,015
-	-	113,214
-	-	761,090
-	886,389	886,389
-	361,697	361,697
296,875	-	296,875
-	-	1,756,927
-	1,234,630	1,234,630
<u>296,875</u>	<u>7,682,554</u>	<u>13,009,539</u>
<u>\$ 1,893,244</u>	<u>\$ 10,003,627</u>	<u>\$ 27,123,010</u>

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total governmental fund balances	\$ 13,009,539
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$90,283,960 and the accumulated depreciation is \$37,364,703.	52,919,257
Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to the individual funds. The assets and liabilities of the Internal Service funds are included in the statement of net assets.	879,720
Certain assets are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds balance sheet	420,077
Certain liabilities are not required to be paid for with current period expenditures and, therefore, are not reported as liabilities in the governmental funds balance sheet	(22,301)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(58,639)
Amounts paid and reported as expenses in the current fiscal year, but are reported as prepaid expenses in the statement of net assets.	50,168
Amounts received and reported as revenues in the current fiscal year, but are reported as unearned revenue in the statement of net assets.	(42,516)
Amounts due from and due to component units and due from proprietary funds as a result of internal service fund allocations related to the employee insurance fund.	(11,942)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(14,569,774)</u>
Net assets of governmental activities	\$ <u>52,573,589</u>

CITY OF OTTUMWA, IOWA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Capital Projects Events Center</u>
<u>REVENUES:</u>			
Property tax	\$ 3,352,337	\$ 3,754,862	\$ -
Other city tax	499,408	-	-
Licenses and permits	366,191	-	-
Intergovernmental	396,830	-	4,582,926
Use of money and property	242,419	21,145	241,289
Charges for service	2,895,154	-	-
Other fines	127,717	-	-
Miscellaneous	111,538	-	1,321,035
Total revenues	<u>7,991,594</u>	<u>3,776,007</u>	<u>6,145,250</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety	5,429,935	-	-
Public works	1,428,711	-	-
Health and social services	457,575	-	-
Culture and recreation	1,181,087	-	-
Community and economic development	298,977	-	-
General government	966,987	-	-
Capital outlay	83,299	-	13,475,392
Debt service	-	-	-
Total expenditures	<u>9,846,571</u>	<u>-</u>	<u>13,475,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,854,977)</u>	<u>3,776,007</u>	<u>(7,330,142)</u>
Other financing sources (uses):			
Issuance of debt	-	-	-
Transfers in	2,423,077	-	-
Transfers out	<u>(197,366)</u>	<u>(3,671,579)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,225,711</u>	<u>(3,671,579)</u>	<u>-</u>
Net change in fund balances	370,734	104,428	(7,330,142)
Fund balances - Beginning of year	<u>1,499,407</u>	<u>656,662</u>	<u>9,729,021</u>
Fund balances - End of year	\$ <u>1,870,141</u>	\$ <u>761,090</u>	\$ <u>2,398,879</u>

See Accompanying Notes to Financial Statements

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,580,980	\$ 1,649,710	\$ 10,337,889
-	2,790,484	3,289,892
-	-	366,191
-	3,074,888	8,054,644
-	772,698	1,277,551
-	1,134,803	4,029,957
-	-	127,717
-	429,541	1,862,114
<u>1,580,980</u>	<u>9,852,124</u>	<u>29,345,955</u>
-	175,545	5,605,480
-	3,994,134	5,422,845
-	103,499	561,074
-	1,073,391	2,254,478
-	384,477	683,454
3,219	1,680,880	2,651,086
-	1,637,749	15,196,440
<u>3,288,379</u>	<u>-</u>	<u>3,288,379</u>
<u>3,291,598</u>	<u>9,049,675</u>	<u>35,663,236</u>
<u>(1,710,618)</u>	<u>802,449</u>	<u>(6,317,281)</u>
-	500,000	500,000
1,844,397	2,365,255	6,632,729
<u>(40,000)</u>	<u>(3,243,497)</u>	<u>(7,152,442)</u>
<u>1,804,397</u>	<u>(378,242)</u>	<u>(19,713)</u>
93,779	424,207	(6,336,994)
<u>203,096</u>	<u>7,258,347</u>	<u>19,346,533</u>
\$ <u>296,875</u>	\$ <u>7,682,554</u>	\$ <u>13,009,539</u>

CITY OF OTTUMWA, IOWA

Exhibit 6

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE, 30, 2006

Net change in fund balances - Total governmental funds \$ (6,336,994)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components:

Capital outlay	3,117,600
Depreciation expense	(2,744,021)

Expenses in the statement of revenues, expenditures and changes in fund balances shown as prepaid expenses or construction in progress in the statement of activities.	13,053,278
--	------------

Revenues in the statement of revenues, expenditures and changes in fund balances shown as unearned revenue in the statement of activities.	(3,889)
--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements	(8,522)
---	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, has any effect on the statement of activities.	2,120,271
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	5,595
--	-------

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to the individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities net of the amount allocated to business type activities and component units.	<u>434,718</u>
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Change in net assets of governmental activities	\$ <u>9,638,036</u>
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CITY OF OTTUMWA, IOWA

Exhibit 7

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business Type Activities				Governmental Activities
	Solid Waste	Sewer Utility	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2 066 291	\$ 843 409	\$ 142 077	\$ 3 051 777	\$ 1 545 097
Investments	-	1 000 000	-	1 000 000	-
Receivables:					
Accounts	103 072	317 144	757	420 973	-
Property taxes	-	-	362 280	362 280	-
Due from other funds	-	75 000	-	75 000	-
Due from other governments	-	252 058	334	252 392	-
Inventory	-	-	46 208	46 208	-
Prepaid expenses	17,585	36,144	24,779	78,508	-
Total current assets	2,186,948	2,523,755	578,435	5,287,138	1,545,097
Noncurrent assets:					
Capital assets:					
Land	87 500	38 478	80 000	205 978	-
Buildings	957 698	21 400 735	1 028 023	23 386 456	-
Improvements other than buildings	2 110 936	1 524 904	878 105	4 513 945	-
Machinery and equipment	2 325 998	1 904 505	2 415 748	6 646 251	-
Infrastructure	-	926 198	-	926 198	-
Construction in progress	57 242	767 099	-	824 341	-
Less accumulated depreciation	(3,241,437)	(10,016,859)	(2,223,181)	(15,481,477)	-
Total Capital Assets	2,297,937	16,545,060	2,178,695	21,021,692	-
Other assets:					
Intangible assets	-	170 662	-	170 662	-
Less accumulated amortization	-	(92,653)	-	(92,653)	-
Total other assets	-	78,009	-	78,009	-
Total noncurrent assets	2,297,937	16,623,069	2,178,695	21,099,701	-
TOTAL ASSETS	\$ 4,484,885	\$ 19,146,824	\$ 2,755,130	\$ 26,386,839	\$ 1,545,097
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 40 800	\$ 223 367	\$ 44 303	\$ 308 470	\$ 665 377
Wages and benefits payable	12 300	17 400	15 600	45 300	-
Accrued interest payable	459	25 575	2 036	28 070	-
Compensated absences payable	37 565	58 032	23 891	119 488	-
Unearned property tax revenue	-	-	353 470	353 470	-
Unearned revenue	-	-	72 375	72 375	-
Due to other governments	31 327	35 597	-	66 924	-
Due to other funds	-	-	185 000	185 000	-
Current portion of bonds payable	95 000	-	40 000	135 000	-
Current portion of notes payable	-	784,000	-	784,000	-
Total current liabilities	217,451	1,143,971	736,675	2,098,097	665,377
Long-term liabilities:					
Accrued landfill costs:					
Closure	667 897	-	-	667 897	-
Post closure	600 982	-	-	600 982	-
Bonds payable:					
Long-term	-	-	490 000	490 000	-
Notes payable:					
Long-term	-	7,839,043	-	7,839,043	-
Total long-term liabilities	1,268,879	7,839,043	490,000	9,597,922	-
TOTAL LIABILITIES	1,486,330	8,983,014	1,226,675	11,696,019	665,377
NET ASSETS:					
Investment in capital assets net of related debt	2 202,937	7 922 017	1 648 695	11 773 649	-
Reserved for:					
Prepaid expenses	17 585	36 144	24 779	78 508	-
Advancement	-	75 000	-	75 000	-
Health insurance	-	-	-	-	412 571
Debt service	-	1 235 000	-	1 235 000	-
Construction	-	218 179	-	218 179	-
Unreserved	778,033	677,470	(145,019)	1,310,484	467,149
TOTAL NET ASSETS	2,998,555	10,163,810	1,528,455	14,690,820	879,720
TOTAL LIABILITIES AND NET ASSETS	\$ 4,484,885	\$ 19,146,824	\$ 2,755,130	\$ 26,386,839	\$ 1,545,097

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

Exhibit 8

RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Ending fund balance - Proprietary funds \$ 14,690,820

Amounts reported for business type activities in the statement of net assets are different because:

Allocation of internal service funds income decreases due to other funds 12,690

Net assets of business type activities \$ 14,703,510

CITY OF OTTUMWA, IOWA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Business Type Activities				Governmental Activities
	Solid Waste	Sewer Utility	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:					
Charges for service	\$ 1,619,684	\$ 3,885,718	\$ 709,808	\$ 6,215,210	\$ 2,166,689
Miscellaneous	54,628	25,701	6,971	87,300	-
Total operating revenues	<u>1,674,312</u>	<u>3,911,419</u>	<u>716,779</u>	<u>6,302,510</u>	<u>2,166,689</u>
Operating expenses:					
Operations	1,407,584	2,700,656	1,475,420	5,583,660	1,832,420
Provision for closure costs adjustment	(110,432)	-	-	(110,432)	-
Capital outlay	853	-	150,446	151,299	-
Depreciation	395,918	820,264	124,162	1,340,344	-
Total operating expenses	<u>1,693,923</u>	<u>3,520,920</u>	<u>1,750,028</u>	<u>6,964,871</u>	<u>1,832,420</u>
Operating income (loss)	(19,611)	390,499	(1,033,249)	(662,361)	334,269
Nonoperating revenue (expense):					
Interest income	83,200	81,886	3,457	168,543	20,362
Interest on long-term debt	(10,355)	(359,283)	-	(369,638)	-
Property taxes	-	-	336,261	336,261	-
Intergovernmental	-	347,008	689,074	1,036,082	-
Total nonoperating revenue (expense)	<u>72,845</u>	<u>69,611</u>	<u>1,028,792</u>	<u>1,171,248</u>	<u>20,362</u>
Income (loss) before transfers	53,234	460,110	(4,457)	508,887	354,631
Transfers in	-	2,978,017	40,000	3,018,017	302,000
Transfers out	(11,355)	(2,611,017)	(13,100)	(2,635,472)	(140,876)
Change in net assets	41,879	827,110	22,443	891,432	515,755
Net assets - Beginning of year	<u>2,956,676</u>	<u>9,336,700</u>	<u>1,506,012</u>	<u>13,799,388</u>	<u>363,965</u>
Net assets - End of year	\$ <u>2,998,555</u>	\$ <u>10,163,810</u>	\$ <u>1,528,455</u>	\$ <u>14,690,820</u>	\$ <u>879,720</u>

CITY OF OTTUMWA, IOWA

Exhibit 10

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE, 30, 2006

Change in net assets - Total business type funds \$ 891,432

Amounts reported for business type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The change in net assets of the Internal Service Funds is reported with business type activities net of the amount allocated to governmental activities and component units.

75,144

Change in net assets of business type activities \$ 966,576

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Solid Waste</u>	<u>Sewer Utility</u>	<u>Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 1,731,154	\$ 3,798,748	\$ 723,745
Cash paid to employees	(653,343)	(1,126,225)	(880,137)
Cash paid to suppliers	(773,372)	(1,498,830)	(864,634)
Cash used in operations	(1,426,715)	(2,625,055)	(1,744,771)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>304,439</u>	<u>1,173,693</u>	<u>(1,021,026)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	-	-	334,743
Intergovernmental	-	-	689,074
Transfers from other funds	-	2,978,017	40,000
Transfers to other funds	(11,355)	(2,611,017)	(13,100)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(11,355)</u>	<u>367,000</u>	<u>1,050,717</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Issuance of long-term debt	-	151,043	-
Payment of long-term debt:			
General obligation bonds	(85,000)	-	(40,000)
Notes payable	-	(751,000)	-
Payment of interest on long-term debt	(10,355)	(359,283)	-
Additions to property and equipment	(209,928)	(829,012)	(164,703)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(305,283)</u>	<u>(1,788,252)</u>	<u>(204,703)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	<u>83,200</u>	<u>81,886</u>	<u>3,457</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,001	(165,673)	(171,555)
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>1,995,290</u>	<u>1,009,082</u>	<u>313,632</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>2,066,291</u>	\$ <u>843,409</u>	\$ <u>142,077</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ (19,611)	\$ 390,499	\$ (1,033,249)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	395,918	820,264	124,162
Provision for closure costs adjustment	(110,432)	-	-
Changes in assets and liabilities:			
Decrease (increase) in receivables	56,842	(36,296)	1,315
Increase in inventory	-	-	(13,342)
Increase in prepaid insurance	(3,124)	(2,339)	(1,515)
Decrease due from other funds	-	75,000	-
Decrease (increase) due from other governments	-	(151,375)	6,204
Increase (decrease) in accounts payable	(24,110)	55,178	(29,502)
Increase in wages and benefits payable	4,300	3,100	2,000
Decrease in accrued interest payable	(404)	(8,609)	(147)
Increase (decrease) in compensated absences payable	2,542	(7,326)	(1,399)
Decrease in unearned revenue	-	-	(553)
Decrease in due to other funds	-	-	(75,000)
Increase in due to other governments	2,518	35,597	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>304,439</u>	\$ <u>1,173,693</u>	\$ <u>(1,021,026)</u>

See Accompanying Notes to Financial Statements

Total Enterprise Funds	Internal Service Funds
\$ <u>6,253,647</u>	\$ <u>2,166,689</u>
(2,659,705)	(33,782)
<u>(3,136,836)</u>	<u>(1,718,310)</u>
<u>(5,796,541)</u>	<u>(1,752,092)</u>
<u>457,106</u>	<u>414,597</u>
334,743	-
689,074	-
3,018,017	302,000
<u>(2,635,472)</u>	<u>(140,876)</u>
<u>1,406,362</u>	<u>161,124</u>
151,043	-
(125,000)	-
(751,000)	-
(369,638)	-
<u>(1,203,643)</u>	<u>-</u>
<u>(2,298,238)</u>	<u>-</u>
<u>168,543</u>	<u>20,362</u>
(266,227)	596,083
<u>3,318,004</u>	<u>949,014</u>
\$ <u>3,051,777</u>	\$ <u>1,545,097</u>
\$ (662,361)	\$ 334,269
1,340,344	-
(110,432)	-
21,861	-
(13,342)	-
(6,978)	-
75,000	-
(145,171)	-
1,566	80,328
9,400	-
(9,160)	-
(6,183)	-
(553)	-
(75,000)	-
38,115	-
\$ <u>457,106</u>	\$ <u>414,597</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ottumwa, Iowa is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to its citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates an airport, a water recreation park, a mass transportation system, and a wide range of parks and recreational facilities.

The financial statements of the City of Ottumwa, Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City of Ottumwa, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The financial statements present the City of Ottumwa, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City handles the cash management and financial reporting of the two component units. In addition, city employees perform the duties at the direction of the respective boards.

Discretely Presented Component Units: The component units' columns in the combined financial statements include the financial data of the City's component units. They are each reported in separate columns to emphasize that they are legally separate from the City. Separate financial statements of these two component units may be obtained from the City's finance department.

Hazardous Materials: The Hazardous Materials component unit includes all operations of the Hazardous Materials response team operated by the Ottumwa Fire Department, under the authority of the Southeast Iowa Response Group Board consisting of eleven county supervisors from Wapello County and ten nearby counties. The elected City officials are financially accountable for the organization. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions for the organization.

10-15 Transit: The 10-15 Transit component unit operates the bus service to various agencies and individuals provided in the ten county Area 15 under the authority of the 10-15 Transit Board consisting of ten county supervisors from Wapello County and nine surrounding counties. The elected City officials are financially accountable for the organization. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions for the organization.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and capital improvement costs not paid from other funds.

Special Revenue Funds:

The Employee Benefits Fund is used to account for property taxes assessed for employee benefits.

Capital Projects Funds:

The Events Center Fund is used to account for the construction and maintenance of the Bridge View Events Center.

Debt Service Funds:

The Debt Service Fund is used to account for the payment of interest and principal on the City's general obligation long-term debt.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The City reports the following major proprietary funds:

Enterprise:

Solid Waste – to account for the operation and maintenance of the recycling center and Ottumwa-Wapello County Landfill Facility.

Sewer Utility – to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Measurement Focus and Basis of Accounting

The Government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

Under the terms of certain grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

General Fund

The General Fund accounts for the financial resources of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, state shared revenues, licenses and permits and charges for services. Primary expenditures are for police and fire protection, general administration and parks.

Special Revenue Funds

Special Revenue Funds account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. Funds included in this category are:

Employee Benefits - to account for property taxes assessed for employee benefits.

Airport - to account for all operations of the industrial airport under guidance of the Airport Advisory Board.

Emergency - to account for the special 27¢ tax levy.

Library - to account for all operations of the Public Library under guidance of the Library Board.

Cemetery - to account for operations of the Ottumwa, Calvary and Jewish Cemeteries under guidance of the Cemetery Board of Trustees

Special Grants - to account for miscellaneous grants including pass through state grants.

Block Grants - to account for monies received to rehabilitate and maintain declining areas.

Tax Increment Fund - tax increment financing for the Westgate Economic Development Urban Renewal Area and Airport Urban Renewal Project Area.

Risk Management - to account for the City's property and casualty insurance coverage, and Iowa Code Chapter 411 medical for fire fighters and police officers.

State Road Use Tax - to account for State Road Use Tax allocated to the City to be used to maintain and improve the City streets.

Local Option Sales Tax - to account for the 1% sales tax.

Fire Bequest - to account for donations and grants received to purchase items for the Fire Department.

Retiree Health Insurance - to account for medical and life insurance costs of City retirees.

Library Bequest - to account for donations to the Library designated for purposes other than general operations.

Park Bequest - to account for donations, grants and expenses of the Trees Forever Committee.

Police Bequest - to account for donations and service fees to the Police Department designated for purposes other than general operations.

Historic Preservation - to account for grant and related items with or concerning the Historic Preservation Commission.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types (Continued)

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed by special assessments or by enterprise fund monies. Capital projects for enterprise fund activities are accounted for in the Capital Project Funds when these projects are financed through the issuance of general obligation bonds, revenue bonds, intergovernmental revenues or major private donations.

Events Center - to account for bonds issued and costs to construct an events center in Ottumwa.

Sidewalks - to account for bonds issued, assessments and construction costs for sidewalks assessed to property owners.

Airport Projects - to account for airport improvements.

Street Projects - to account for bond proceeds and construction costs of street projects

Trail Projects - to account for donations and grants for construction of recreation trails.

Other Bond Projects – to account for monies received for miscellaneous development projects

Levee Repairs - to account for bond proceeds for levee repair projects.

Debt Service Funds

Debt Service Fund accounts for the payment of principal and interest on the City's general obligation debt.

Permanent Funds:

Cemetery Perpetual Care - to account for the collection of a portion of cemetery lot sales designated for perpetual care.

Cemetery Memorial - to account for the collection of contributions for floral decoration on lots, Fry bequests and Hall bequests.

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for operations which are intended to be self-supporting primarily through user charges. Included in this category are:

Solid Waste - to account for the operation and maintenance of the recycling center and Ottumwa-Wapello County Landfill facility.

Sewer Utility - to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Transit - to account for the operation of the City Public Transit System

Golf Course - to account for the operation and maintenance of the Cedar Creek Golf Course.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types (Continued)

Internal Service Funds

Internal Service Funds are used to account for the operation of the Payroll Clearing, Equipment Purchasing and Employee Insurance funds. Charges are made to other City departments to support these activities, including equipment replacement.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on substantially the same basis used for financial reporting following required public notice and hearing for all funds. The City budgets capital items and debt principal in the proprietary funds. In addition, depreciation is not budgeted in the proprietary funds. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification of the City Administrator. The budget is formally amended by the City Council following the required public notice and hearing. Annual appropriated budgets are adopted for all City funds. All appropriations lapse at fiscal year end.

Formal and legal budgetary control is based upon nine major classes of expenditures, known as functions, not by fund. These nine functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Expenditures may not exceed the overall appropriation for the City. Management may transfer appropriations within each function.

The City Administrator presents the annual budget to the City Council for consideration no later than January 31. The Council holds hearings with the public prior to the budget being adopted. By March 15, the adopted budget is certified to the County Auditor who, in turn, certifies the City budget to the Iowa Department of Management.

This budget is effective July 1 and becomes the appropriations for the fiscal year. Strong emphasis is placed on monitoring of budgets especially by major classifications such as personal services, commodities and contractual services and capital outlay. Monthly reports are prepared for each activity and program in order to assure that program expenditures do not exceed budgeted amounts.

The budgetary comparison and related disclosures are reported as required supplementary information.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the health and social services and culture and recreation functions.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The City maintains one primary demand deposit account through which the City's cash resources are processed. These deposits are invested on a short-term basis with interest allocated to the respective funds in proportion to each fund's average cash balance during the fiscal year.

The City's deposits, in banks, at June 30, 2006, were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the City or City's agent in the City's name or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means the investments are insured or registered, or the securities are held by the City or its agent in the City's name.

The City's investments in mutual funds and annuities are reported at fair value.

In addition, the City had investments in the Iowa Public Agency Investment Trust with a carrying and fair value of \$1,000,000 at June 30, 2006, that are not subject to risk categorization. The fair value of the position in the Iowa Public Agency Investment Trust is the same as the value of the Iowa Public Agency Investment trust shares. The Agency is a 28c organization and the board of directors is responsible for oversight.

Cash and pooled investments are considered "cash and cash equivalents" for statement of cash flows purposes. Certificates of deposit and U.S. Treasury Bills with maturities in excess of 397 days are considered investments for statement of cash flows purposes. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value.

The City's investments at June 30, 2006, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Cash and Pooled Investments:</u>		
Savings accounts	\$ 2,962,483	\$ 2,962,483
Time deposits	7,153,660	7,153,660
FNMA	2,248,812	2,232,325
Iowa Public Agency Investment Trust	1,000,000	1,000,000
Total pooled funds	13,364,955	13,348,468
Cash on hand	4,055	4,055
Checking	(200,954)	(200,954)
Time deposits	1,712,880	1,712,880
Annuity	19,774	19,774
Savings accounts	3,707,495	3,707,495
Net cash and pooled investments	\$ <u>18,608,205</u>	\$ <u>18,591,718</u>
<u>Other Investments:</u>		
Time deposits	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
Total investments	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

The City has recorded several types of receivables on its balance sheet from sources around the State of Iowa, including the state and federal governments, through grant agreements. The risk of loss on receivables is the balance owed at the time of default. No allowance for bad debts is considered necessary.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing in Governmental and Proprietary Funds is accounted for using the accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2006 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2005.

Customer Accounts and Unbilled Usage

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventory

Inventories are valued at the lower of cost (first-in, first-out) or market. It consists of parts and supplies in the Central Garage Fund and merchandise and concessions at The Beach Ottumwa and Cedar Creek Golf Course.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and other improvements	\$ 25,000
Machinery and equipment	5,000
Infrastructure	25,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Buildings	15 to 50 Years
Other improvements	8 to 50 Years
Vehicles	5 to 15 Years
Other equipment	5 to 20 Years
Infrastructure	15 to 30 Years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental and proprietary fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund statement of net assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers and are reported as other financing sources (uses) in the Governmental Fund Types.

Nonrecurring or nonroutine transfers of equity between funds are recorded as equity transfers and, accordingly, are reported as additions or deductions from balances of Governmental Fund Types.

Intangible Assets

Intangible assets, primarily bond-related costs, are amortized on the straight-line method over the life of the related bond issue.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
Governmental Activities:				
By type:				
Land	\$ 4,788,999	\$ 15,855	\$ -	\$ 4,804,854
Buildings	10,542,024	370,182	-	10,912,206
Improvements other than buildings	844,254	277,748	-	1,122,002
Machinery and equipment	6,768,399	277,517	26,410	7,019,506
Infrastructure	48,947,356	2,176,298	-	51,123,654
Construction in progress	<u>2,254,431</u>	<u>15,030,467</u>	<u>1,983,160</u>	<u>15,301,738</u>
	<u>74,145,463</u>	<u>18,148,067</u>	<u>2,009,570</u>	<u>90,283,960</u>
Less accumulated depreciation:				
Buildings	(7,250,077)	(198,881)	-	(7,448,958)
Improvements other than buildings	(387,110)	(53,112)	-	(440,222)
Machinery and equipment	(4,162,339)	(508,990)	(26,410)	(4,644,919)
Infrastructure	<u>(22,847,566)</u>	<u>(1,983,038)</u>	<u>-</u>	<u>(24,830,604)</u>
	<u>(34,647,092)</u>	<u>(2,744,021)</u>	<u>(26,410)</u>	<u>(37,364,703)</u>
Total	\$ <u>39,498,371</u>	\$ <u>15,404,046</u>	\$ <u>1,983,160</u>	\$ <u>52,919,257</u>
By function and activity:				
General government:				
City clerk	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	49,080	-	-	49,080
City hall	3,132,603	-	-	3,132,603
Risk management	1,537	-	-	1,537
Public information	<u>47,099</u>	<u>-</u>	<u>-</u>	<u>47,099</u>
Total general government	<u>3,240,692</u>	<u>-</u>	<u>-</u>	<u>3,240,692</u>
Public safety:				
Police	623,299	61,659	26,410	658,548
Fire	2,840,565	32,375	-	2,872,940
Health and inspection	78,018	-	-	78,018
Animal control	<u>26,287</u>	<u>-</u>	<u>-</u>	<u>26,287</u>
Total public safety	<u>3,568,169</u>	<u>94,034</u>	<u>26,410</u>	<u>3,635,793</u>
Highways and streets:				
Traffic maintenance	470,564	-	-	470,564
Electric/traffic light maintenance	378,514	-	-	378,514
Engineering	78,387	-	-	78,387
Street maintenance	2,060,435	55,816	-	2,116,251
Snow/ice maintenance	121,811	-	-	121,811
Street cleaning	263,183	18,100	-	281,283
Street projects (including sidewalks)	30,965,645	745,611	-	31,711,256
Parking	<u>1,303,092</u>	<u>-</u>	<u>-</u>	<u>1,303,092</u>
Total highways and streets	<u>35,641,631</u>	<u>819,527</u>	<u>-</u>	<u>36,461,158</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year, as Restated</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
<u>By function and activity: (Continued)</u>				
Culture and recreation:				
Library	1,378,794	71,521	-	1,450,315
Parks	1,948,556	136,017	-	2,084,573
Senior citizens center	131,316	-	-	131,316
The Beach	3,359,023	176,776	-	3,535,799
Trails	111,915	-	-	111,915
Events center	<u>1,628,793</u>	<u>15,855</u>	<u>-</u>	<u>1,644,648</u>
Total culture and recreation	<u>8,558,397</u>	<u>400,169</u>	<u>-</u>	<u>8,958,566</u>
 Cemetery	 <u>542,330</u>	 <u>67,603</u>	 <u>-</u>	 <u>609,933</u>
 Airport	 <u>7,307,537</u>	 <u>607,866</u>	 <u>-</u>	 <u>7,915,403</u>
 Construction in progress	 <u>2,254,431</u>	 <u>15,030,467</u>	 <u>1,983,160</u>	 <u>15,301,738</u>
 TIF projects	 <u>10,777,193</u>	 <u>1,128,401</u>	 <u>-</u>	 <u>11,905,594</u>
 Downtown Step One	 <u>275,163</u>	 <u>-</u>	 <u>-</u>	 <u>275,163</u>
 Land - No designation	 <u>1,979,920</u>	 <u>-</u>	 <u>-</u>	 <u>1,979,920</u>
Total governmental activities	\$ <u>74,145,463</u>	\$ <u>18,148,067</u>	\$ <u>2,009,570</u>	\$ <u>90,283,960</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure	Construction in Progress	Total
By function and activity							
General government:							
City clerk	\$ -	\$ -	\$ -	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	-	-	-	49,080	-	-	49,080
City hall	-	2,925,180	-	-	207,423	-	3,132,603
Risk management	-	-	-	1,537	-	-	1,537
Public information	-	-	-	47,099	-	-	47,099
Total general government	-	2,925,180	-	108,089	207,423	-	3,240,692
Public safety:							
Police	-	-	-	658,548	-	-	658,548
Fire	-	983,243	65,291	1,713,603	110,803	-	2,872,940
Health and inspection	-	-	-	78,018	-	-	78,018
Animal control	-	-	-	26,287	-	-	26,287
Total public safety	-	983,243	65,291	2,476,456	110,803	-	3,635,793
Highways and streets:							
Traffic maintenance	-	134,900	-	165,734	169,930	-	470,564
Electric/traffic light maintenance	-	-	-	149,224	229,290	-	378,514
Engineering	-	-	-	78,387	-	-	78,387
Street maintenance	56,240	367,120	31,900	1,660,991	-	-	2,116,251
Snow/ice maintenance	-	63,679	-	58,132	-	-	121,811
Street cleaning	-	-	-	281,283	-	-	281,283
Street projects (including sidewalks)	-	-	-	-	31,711,256	-	31,711,256
Parking	653,718	39,754	-	10,895	598,725	-	1,303,092
Total highways and streets	709,958	605,453	31,900	2,404,646	32,709,201	-	36,461,158
Culture and recreation:							
Library	-	1,038,222	104,127	272,482	35,484	-	1,450,315
Parks	-	256,957	515,644	624,645	687,327	-	2,084,573
Senior citizens center	-	-	-	-	131,316	-	131,316
The Beach	283,421	2,458,704	259,008	534,666	-	-	3,535,799
Trails	-	-	-	-	111,915	-	111,915
Events center	1,644,648	-	-	-	-	-	1,644,648
Total culture and recreation	1,928,069	3,753,883	878,779	1,431,793	966,042	-	8,958,566
Cemetery	26,000	240,542	146,032	151,168	46,191	-	609,933
Airport	-	2,273,649	-	447,354	5,194,400	-	7,915,403
Construction in progress	-	-	-	-	-	15,301,738	15,301,738
TIF projects	16,000	-	-	-	11,889,594	-	11,905,594
Downtown Step One	144,907	130,256	-	-	-	-	275,163
Land - No designation	1,979,920	-	-	-	-	-	1,979,920
Total governmental activities	\$ 4,804,854	\$ 10,912,206	\$ 1,122,002	\$ 7,019,506	\$ 51,123,654	\$ 15,301,738	\$ 90,283,960

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year
Business type activities:				
By type:				
Land	\$ 195,178	\$ 10,800	\$ -	\$ 205,978
Buildings	23,337,708	48,748	-	23,386,456
Improvements other than buildings	4,096,239	417,706	-	4,513,945
Machinery and equipment	6,111,183	588,967	53,899	6,646,251
Infrastructure	877,498	48,700	-	926,198
Construction in progress	101,275	723,066	-	824,341
	<u>34,719,081</u>	<u>1,837,987</u>	<u>53,899</u>	<u>36,503,169</u>
Less accumulated depreciation:				
Buildings	(8,368,182)	(774,522)	-	(9,142,704)
Improvements other than buildings	(1,760,088)	(237,752)	-	(1,997,840)
Machinery and equipment	(3,763,233)	(559,565)	(50,355)	(4,272,443)
Infrastructure	(24,727)	(43,763)	-	(68,490)
	<u>(13,916,230)</u>	<u>(1,615,602)</u>	<u>(50,355)</u>	<u>(15,481,477)</u>
Total	\$ <u>20,802,851</u>	\$ <u>222,385</u>	\$ <u>3,544</u>	\$ <u>21,021,692</u>
By function and activity:				
Solid waste	\$ 5,314,104	\$ 186,950	\$ 18,922	\$ 5,482,132
Sewer utility	25,216,974	612,823	34,977	25,794,820
Transit	2,525,112	305,148	-	2,830,260
Golf course	1,561,616	10,000	-	1,571,616
Construction in progress	101,275	723,066	-	824,341
Total business type	\$ <u>34,719,081</u>	\$ <u>1,837,987</u>	\$ <u>53,899</u>	\$ <u>36,503,169</u>

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure	Construction in Progress	Total
By function and activity							
Solid waste	\$ 87,500	\$ 957,698	\$ 2,110,936	\$ 2,325,998	\$ -	\$ -	\$ 5,482,132
Sewer utility	38,478	21,400,735	1,524,904	1,904,505	926,198	-	25,794,820
Transit	-	853,168	-	1,977,092	-	-	2,830,260
Golf course	80,000	174,855	878,105	438,656	-	-	1,571,616
Construction in progress	-	-	-	-	-	824,341	824,341
Total business type assets	\$ <u>205,978</u>	\$ <u>23,386,456</u>	\$ <u>4,513,945</u>	\$ <u>6,646,251</u>	\$ <u>926,198</u>	\$ <u>824,341</u>	\$ <u>36,503,169</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

A summary of property, plant and equipment at June 30, 2006, was as follows:

	<u>Business Type</u>	<u>Governmental Activities</u>
Land	\$ 205,978	\$ 4,804,854
Buildings	23,386,456	10,912,206
Improvements other than buildings	4,513,945	1,122,002
Machinery and equipment	6,646,251	7,019,506
Infrastructure	926,198	51,123,654
Construction in progress	<u>824,341</u>	<u>15,301,738</u>
Total cost	36,503,169	90,283,960
Less accumulated depreciation	<u>(15,481,477)</u>	<u>(37,364,703)</u>
Book value	\$ <u>21,021,692</u>	\$ <u>52,919,257</u>

No interest cost was capitalized for the year ended June 30, 2006.

Depreciation was charged to functions of the primary government as follows:

Government activities:

General government	\$ 65,768
Public safety	233,459
Public services	1,655,866
Culture and recreation	224,680
Community development	<u>564,248</u>
Total depreciation expense - Governmental activities	\$ <u>2,744,021</u>

Business type activities

Solid waste	\$ 396,770
Sewer utility	944,224
Other business type activity	<u>274,608</u>
Total depreciation expense - Business type activities	\$ <u>1,615,602</u>

Discretely presented component units

	<u>Balance Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
By type:				
Buildings	\$ -	\$ 204,082	\$ -	\$ 204,082
Machinery and equipment	<u>2,374,159</u>	<u>313,602</u>	<u>39,396</u>	<u>2,648,365</u>
	<u>2,374,159</u>	<u>517,684</u>	<u>39,396</u>	<u>2,852,447</u>
Less accumulated depreciation:				
Buildings	-	(2,551)	-	(2,551)
Machinery and equipment	<u>(992,081)</u>	<u>(220,497)</u>	<u>(39,396)</u>	<u>(1,173,182)</u>
	<u>(992,081)</u>	<u>(223,048)</u>	<u>(39,396)</u>	<u>(1,175,733)</u>
Total	\$ <u>1,382,078</u>	\$ <u>294,636</u>	\$ <u>-</u>	\$ <u>1,676,714</u>
By function and activity:				
Hazard materials	\$ 190,685	\$ 204,082	\$ -	\$ 394,767
10-15 transit	<u>2,183,474</u>	<u>313,602</u>	<u>39,396</u>	<u>2,457,680</u>
Total discretely presented component units	\$ <u>2,374,159</u>	\$ <u>517,684</u>	\$ <u>39,396</u>	\$ <u>2,852,447</u>
Total depreciation expense - Discretely presented component units				\$ <u>223,048</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CHANGES IN LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	\$ <u>16,690,045</u>	\$ <u>500,000</u>	\$ <u>2,620,271</u>	\$ <u>14,569,774</u>	\$ <u>2,909,545</u>
Business type activities:					
General obligation bonds	\$ <u>750,000</u>	\$ <u>-</u>	\$ <u>125,000</u>	\$ <u>625,000</u>	\$ <u>135,000</u>
Revenue notes	<u>9,223,000</u>	<u>151,043</u>	<u>751,000</u>	<u>8,623,043</u>	<u>784,000</u>
Total	\$ <u>9,973,000</u>	\$ <u>151,043</u>	\$ <u>876,000</u>	\$ <u>9,248,043</u>	\$ <u>919,000</u>
Component unit:					
General obligation bonds	\$ <u>100,000</u>	\$ <u>-</u>	\$ <u>17,000</u>	\$ <u>83,000</u>	\$ <u>18,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

<u>June 30,</u>	<u>General Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total*</u>
2007	\$ <u>3,062,545</u>	\$ <u>228,660</u>	\$ <u>3,291,205</u>
2008	<u>1,940,229</u>	<u>166,774</u>	<u>2,107,003</u>
2009	<u>1,935,000</u>	<u>144,752</u>	<u>2,079,752</u>
2010	<u>1,985,000</u>	<u>138,104</u>	<u>2,123,104</u>
2011	<u>1,960,000</u>	<u>116,888</u>	<u>2,076,888</u>
2012	<u>1,600,000</u>	<u>95,615</u>	<u>1,695,615</u>
2013	<u>1,370,000</u>	<u>71,587</u>	<u>1,441,587</u>
2014	<u>1,295,000</u>	<u>63,951</u>	<u>1,358,951</u>
2015	<u>65,000</u>	<u>7,894</u>	<u>72,894</u>
2016	<u>65,000</u>	<u>3,988</u>	<u>68,988</u>
Total	\$ <u>15,277,774</u>	\$ <u>1,038,213</u>	\$ <u>16,315,987</u>

* Part of these payments will come from sources other than the debt service tax levy.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CHANGES IN LONG-TERM LIABILITIES (Continued)

The following is a summary of bond/note transactions for the year ended June 30, 2006, and details of bonds/notes payable at June 30, 2006:

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
<u>General Obligation Bonds/Notes:</u>			
General Obligation Bonds - Series 1994B	February 1, 1994	4 40-5 125 %	\$ 2,715,000
General Obligation Bonds - Series 2001C	November 1, 2001	3 40-4 30	600,000
General Obligation Bonds - Series 2002	August 1, 2002	2 00-4 00	1,500,000
General Obligation Bonds - Series 2003	March 1, 2003	3 00-4 25	11,000,000
General Obligation Bonds - Series 2002D	December 1, 2002	2 00-4 00	1,100,000
General Obligation Bonds - Series 2002B	August 1, 2002	3 91	285,000
General Obligation Bonds - Series 2005	February 1, 2005	2 15-2 90	2,435,000
General Obligation Bonds - Series 2005A	December 1, 2005	3 25-3 50	500,000
General Obligation Note - Army Reserve Building	March 1, 1996	7 25	388,500
<u>Proprietary Fund Debt:</u>			
General Obligation Bonds - Series 1992C	November 1, 1992	3 00-5 80	920,000
General Obligation Bonds - Series 2001B	March 1, 2001	4 40-4 90	700,000

Grand Total

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Paid During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>	<u>Interest Due and Unpaid</u>
\$ 1,630,000	\$ -	\$ 245,000	\$ 1,385,000	\$ 81,785	\$ 5,835
485,000	-	60,000	425,000	19,110	1,423
1,250,000	-	160,000	1,090,000	44,310	3,319
9,720,000	-	955,000	8,765,000	352,130	26,957
985,000	-	120,000	865,000	32,695	2,485
151,000	-	58,000	93,000	5,337	1,511
2,435,000	-	995,000	1,440,000	74,283	2,860
-	500,000	-	500,000	-	11,222
<u>130,068</u>	<u>-</u>	<u>40,294</u>	<u>89,774</u>	<u>8,713</u>	<u>2,155</u>
<u>16,786,068</u>	<u>500,000</u>	<u>2,633,294</u>	<u>14,652,774</u>	<u>618,363</u>	<u>57,767</u>
180,000	-	85,000	95,000	10,355	459
<u>570,000</u>	<u>-</u>	<u>40,000</u>	<u>530,000</u>	<u>26,200</u>	<u>2,037</u>
<u>750,000</u>	<u>-</u>	<u>125,000</u>	<u>625,000</u>	<u>36,555</u>	<u>2,496</u>
\$ <u>17,536,068</u>	\$ <u>500,000</u>	\$ <u>2,758,294</u>	\$ <u>15,277,774</u>	\$ <u>654,918</u>	\$ <u>60,263</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: EMPLOYEE RETIREMENT SYSTEMS

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to MFPRSI for the years ended June 30, 2006, 2005 and 2004 are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2006	\$828,847	100%
2005	\$743,985	100%
2004	\$560,959	100%

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2006	\$339,838	100%
2005	\$337,568	100%
2004	\$321,139	100%

The City's contributions were equal to the required contributions for each year.

NOTE 5: OTHER EMPLOYEE BENEFITS

The City, on January 1, 1983, adopted a self-funding health plan for all City employees including those that have retired. Claims are handled through a third party administrator. The cost of the health and life insurance is shared by the City and the covered employees.

The City provides certain health care and life insurance benefits for retired employees. Substantially, all of the City employees hired prior to February 22, 1993 may become eligible for those benefits if they reach normal retirement age while working for the City. There are currently 133 retirees covered. The costs of retiree health care and life insurance benefits are recognized as expenses as insurance premiums are paid. For 2006, those costs for the City totaled \$1,086,757. Retirees pay a portion of the cost of the benefits.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: OTHER EMPLOYEE BENEFITS (Continued)

All full-time City employees accumulate vacation hours for subsequent use or payment upon termination, death or retirement. The maximum vacation accumulation is limited to one and one-half (two and one-half for fire fighters) the amount earned in one year. Any unused vacation accumulation is payable upon termination, death or retirement.

All full-time City employees accumulate sick leave hours for subsequent use. No accumulation of sick leave is payable upon termination, death or retirement, except for those employees who continue under the retirement plan in effect prior to July 1, 1990. Upon retirement, employees under this plan, receive one-half of unused sick leave, up to a maximum of \$5,000.

<u>Business Type Funds</u>	<u>Vacation</u>	<u>Sick Leave</u>	<u>Total</u>	<u>Due Within One Year</u>
<u>Enterprise Funds:</u>				
Solid waste	\$ 37,565	\$ -	\$ 37,565	\$ 37,565
Sewer utility	52,532	5,500	58,032	58,032
Golf course	10,718	-	10,718	10,718
Transit	13,173	-	13,173	13,173
Total Enterprise Funds	<u>113,988</u>	<u>5,500</u>	<u>119,488</u>	<u>119,488</u>
<u>Governmental Funds</u>				
<u>Special Revenue Funds:</u>				
Airport	6,178	-	6,178	6,178
Library	11,674	-	11,674	11,674
Cemetery	8,975	-	8,975	8,975
State road use tax	60,959	5,500	66,459	66,459
Risk management	585	-	585	585
Total Special Revenue Funds	<u>88,371</u>	<u>5,500</u>	<u>93,871</u>	<u>93,871</u>
<u>General</u>	<u>357,223</u>	<u>5,000</u>	<u>362,223</u>	<u>257,223</u>
Total Governmental Funds	<u>445,594</u>	<u>10,500</u>	<u>456,094</u>	<u>351,094</u>
Total - All funds	\$ <u>559,582</u>	\$ <u>16,000</u>	\$ <u>575,582</u>	\$ <u>470,582</u>

NOTE 6: OTHER NOTES PAYABLE

During the year ended June 30, 1993, the City entered into an agreement with the Iowa Finance Authority to borrow \$4,476,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 1 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1995 with interest due semiannually at the rate of 3.00%, changed from the original rate of 4.37% on December 1, 2005, with final maturity on June 1, 2014.

During the year ended June 30, 1995, the City entered into another agreement with the Iowa Finance Authority to borrow \$3,966,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 2 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1996 with interest due semiannually at the rate of 3.00%, changed from the original rate of 3.74% on December 1, 2005, with final maturity on June 1, 2015.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: OTHER NOTES PAYABLE (Continued)

During the year ended June 30, 1996, the City borrowed on a note from US Bank, N.A. to build a building at the Ottumwa Airport. The loan totaling \$150,000 calls for monthly payments of \$1,843, including interest at a rate of 8.28%.

During the year ended June 30, 1996, the City entered into an agreement with the Iowa Finance Authority to borrow \$6,588,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 of a 3 phase project). The note calls for annual payments beginning June 1, 1998, with interest due at the rate of 4.19% with final maturity on June 1, 2016.

During the year ended June 30, 2006, the City entered into an agreement with the Iowa Finance Authority to borrow up to \$330,000 in connection with the issuance of a Sewer Revenue Capital Loan Note, in negotiations as of June 30, 2006, for the sewer separation project. Interest is calculated at 0%, for up to three years, until the negotiations of the note are finalized. Proceeds received during the fiscal year 2006 were \$151,043.

The following is a summary of note transactions for the year ended June 30, 2006:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Proceeds During Year</u>	<u>Payments During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>
<u>Governmental Funds:</u>						
Special Revenue Funds:						
Building (Lunco)	8.28%	\$ 3,977	\$ -	\$ 3,977	\$ -	\$ 39
<u>Business Type Funds:</u>						
Sewer Utility:						
Phase 1	3.00%	2,487,000	-	231,000	2,256,000	92,889
Phase 2	3.00%	2,343,000	-	197,000	2,146,000	80,131
Phase 3	4.19%	4,393,000	-	323,000	4,070,000	186,263
EDP	0.00%	-	151,043	-	151,043	-
Total enterprise funds		<u>9,223,000</u>	<u>-</u>	<u>751,000</u>	<u>8,623,043</u>	<u>359,283</u>
Total		<u>\$ 9,226,977</u>	<u>\$ 151,043</u>	<u>\$ 754,977</u>	<u>\$ 8,623,043</u>	<u>\$ 359,322</u>

The following table summarizes the principal and interest due on the City's other notes payable:

<u>Year</u>	<u>Business Type Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 784,000	\$ 302,886	\$ 1,086,886
2008	967,043	275,356	1,242,399
2009	848,000	246,700	1,094,700
2010	885,000	216,916	1,101,916
2011	921,000	185,832	1,106,832
2012	958,000	153,478	1,111,478
2013	998,000	119,822	1,117,822
2014	1,040,000	84,766	1,124,766
2015	732,000	48,222	780,222
2016	490,000	20,406	510,406
	<u>\$ 8,623,043</u>	<u>\$ 1,654,384</u>	<u>\$ 10,277,427</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 8: INTEREST EXPENSE

Interest expense for the year ended June 30, 2006 is summarized below:

<u>Fund</u>	<u>General Obligation Bonds</u>	<u>Other Notes</u>	<u>Total</u>
Debt service	\$ 635,850	\$ -	\$ 635,850
Airport	8,713	39	8,752
Solid waste	10,355	-	10,355
Sewer utility	-	359,283	359,283
Totals	\$ <u>654,918</u>	\$ <u>359,322</u>	\$ <u>1,014,240</u>

NOTE 9: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2006 the City had signed several construction contracts that are summarized below:

Total commitments	\$ 22,974,279
Less amounts paid or accrued	<u>(14,764,927)</u>
Remaining commitments	\$ <u>8,209,352</u>

A significant portion of these commitments are for street, sewer and airport projects, Westgate TIF improvements and the Events Center and are financed by general obligation bonds and FAA Grants.

NOTE 10: INTERNAL SERVICE FUNDS NET ASSETS

The following is a summary of the changes in the internal service funds net assets for the year ended June 30, 2006:

	<u>Equipment Purchasing</u>	<u>Group Health</u>	<u>Total</u>
Net assets - Beginning of year	\$ 306,025	\$ 57,940	\$ 363,965
Change in net assets	<u>161,124</u>	<u>354,631</u>	<u>515,755</u>
Net assets - End of year	\$ <u>467,149</u>	\$ <u>412,571</u>	\$ <u>879,720</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RESERVED NET ASSETS

Reserved net assets for the business type funds consisted of the following at June 30, 2006:

<u>Fund</u>	<u>Description</u>	
Sewer Sinking	Debt service	\$ 95,000
Sewer Reserve	Debt service	<u>1,140,000</u>
		<u>\$ 1,235,000</u>

NOTE 12: CLOSURE AND POST CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is very large and the City expects it to remain in operation for another 50 to 60 years. The state and federal regulations require individual cells to be monitored for 30 years after closure. The \$1,268,879 reported as landfill closure and post closure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 95% of the estimated capacity of the cell the City is currently using (which was recently expanded). The City will recognize the remaining cost of closure and post closure care, which was estimated to be \$66,783 as of June 30, 2006, as the estimated capacity is filled. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. As future cells are developed in the landfill, the related closure and post closure costs will be accounted for and accrued over the respective operating lives of each cell. The following table summarizes the estimated liability and funds set aside for closure and post closure costs:

	<u>Closure</u>	<u>Post Closure</u>	<u>Total</u>
Balance, July 1, 2005	\$ 473,946	\$ 905,365	\$ 1,379,311
Fiscal year 2006 costs adjusted	<u>193,951</u>	<u>(304,383)</u>	<u>(110,432)</u>
Balance, June 30, 2006	\$ <u>667,897</u>	\$ <u>600,982</u>	\$ <u>1,268,879</u>

NOTE 13: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 13: RISK MANAGEMENT (Continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$373,360.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured, on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the City's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14: SELF INSURED HEALTH CARE

The City of Ottumwa maintains a self-funded health insurance plan for City employees. This plan is funded by the City and is administered by a third party. The City pays the administrator a monthly fixed fee for various claim administration services. The City carries specific stop-loss and aggregate stop-loss insurance against catastrophic losses. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The following is a summary of claims and changes in the liability for the year.

	<u>Year Ended</u> <u>June 30, 2006</u>
Liability - Beginning of year	\$ 278,723
Payments and accruals	(1,757,787)
Estimated claims incurred	<u>1,832,420</u>
Liability - End of year	\$ <u>353,356</u>

The above liabilities are included in accounts payable on the balance sheet.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 15: SEWER UTILITY FUND

The combining statement of net assets for the Sewer Utility Fund is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Reserve</u>	<u>Sewer Construction</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 465,274	\$ 95,000	\$ 140,000	\$ 143,135	\$ 843,409
Other investments	-	-	1,000,000	-	1,000,000
Other assets	<u>17,141,015</u>	<u>-</u>	<u>-</u>	<u>162,400</u>	<u>17,303,415</u>
Total assets	\$ <u>17,606,289</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>305,535</u>	\$ <u>19,146,824</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	\$ <u>8,895,658</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>87,356</u>	\$ <u>8,983,014</u>
<u>Net Assets:</u>					
Investment in capital assets net of related debt	7,922,017	-	-	-	7,922,017
Retained earnings:					
Reserved:					
Prepaid expenses	36,144	-	-	-	36,144
Advancement	75,000	-	-	-	75,000
Debt service	-	95,000	1,140,000	-	1,235,000
Construction	-	-	-	218,179	218,179
Unreserved	<u>677,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>677,470</u>
Total net assets	<u>8,710,631</u>	<u>95,000</u>	<u>1,140,000</u>	<u>218,179</u>	<u>10,163,810</u>
Total liabilities and net assets	\$ <u>17,606,289</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>305,535</u>	\$ <u>19,146,824</u>

The combining statement of revenues, expenses and changes in fund net assets for the Sewer Utility Fund is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Reserve</u>	<u>Sewer Construction</u>	<u>Sewer Improvement</u>	<u>Total</u>
Operating revenues	\$ 3,911,419	\$ -	\$ -	\$ -	\$ -	\$ 3,911,419
Operating expenses	<u>3,520,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,520,920</u>
Operating income	390,499	-	-	-	-	390,499
Nonoperating income	<u>69,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,611</u>
Income before transfers	460,110	-	-	-	-	460,110
Transfers in	1,718,017	1,140,000	-	-	120,000	2,978,017
Transfers out	<u>(1,260,000)</u>	<u>(1,140,000)</u>	<u>-</u>	<u>(91,017)</u>	<u>(120,000)</u>	<u>(2,611,017)</u>
Change in net assets	918,127	-	-	(91,017)	-	827,110
Net assets at beginning of year	<u>7,792,504</u>	<u>95,000</u>	<u>1,140,000</u>	<u>309,196</u>	<u>-</u>	<u>9,336,700</u>
Net assets at end of year	\$ <u>8,710,631</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>218,179</u>	\$ <u>-</u>	\$ <u>10,163,810</u>

Schedule of sewer rates/Customer census

Rate of Usage:

Base charge	\$8.11
Each 100 cubic foot unit	\$2.94

The Sewer Funds had 9719 meters in service at June 30, 2006

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 16: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Internal Service	\$ 83,299
	Special Revenue:	
	Employee benefits	2,217,085
	Emergency fund	122,693
		<u>2,423,077</u>
Internal Service	General	97,400
	Special Revenue:	
	State road use tax	204,600
		<u>302,000</u>
Nonmajor Special Revenue	Internal Service	57,577
	General	99,966
	Component Unit:	
	Haz-mat	3,563
	Special Revenue:	
	Employee benefits	1,454,494
	Local option sales tax	570,000
	Risk management	9,482
	Block grants	20,000
	Tax increment fund	80,000
	Permanent:	
	Cemetery memorial	3,173
		<u>2,298,255</u>
Nonmajor Capital Projects: Street Projects	Special Revenue:	
	Local option sales tax	<u>60,000</u>
Sewer Utility	Special Revenue:	
	Local option sales tax	367,000
	Proprietary:	
	Sewer	<u>2,611,017</u>
		<u>2,978,017</u>
Proprietary: Golf Course	Special Revenue:	
	Debt service	<u>40,000</u>
Debt Service	Special Revenue:	
	Local option sales tax	1,308,398
	Tax increment fund	491,151
	Component Unit:	
	Haz-mat	20,393
	Proprietary:	
	Golf Course	13,100
	Solid waste	11,355
		<u>1,844,397</u>
Permanent: Cemetery Memorial	Special Revenue:	
	Cemetery	<u>7,000</u>
Total		\$ <u>9,952,746</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The balances of interfund receivables and payable in the fund financial statements at June 30, 2006 were:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 113,214	\$ -
Special Revenue:		
Emergency	-	3,214
Proprietary:		
Golf course	-	185,000
Sewer utility	<u>75,000</u>	<u>-</u>
	\$ <u>188,214</u>	\$ <u>188,214</u>

NOTE 18: SUBSEQUENT EVENTS

In October 2006, the City entered into a contract for \$4,500,000 with Iowa Finance Authority for construction on the sewer separation project to be funded by a general obligation capital loan note

NOTE 19: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2005 have been reclassified to conform with the June 30, 2006 presentation.

NOTE 20: PENDING LITIGATION

The City is a defendant in a lawsuit seeking damages of approximately \$20,000 and attorney's fees of approximately \$8,000. The amount of loss is expected to be approximately \$9,000 and is included in accounts payable.

NOTE 21: RESTATEMENT

Governmental activities net assets have been restated as follows:

Net assets June 30, 2005, as previously reported	\$ 27,928,256
Increase capital assets by \$37,265,474, less accumulated depreciation of \$22,258,177, to retroactively report road infrastructure acquired prior to July 1, 2003 not previously reported as permitted by U.S. generally accepted accounting principles.	<u>15,007,297</u>
Net assets July 1, 2005, as restated	\$ <u>42,935,553</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

BUDGETARY COMPARISON SCHEDULE OF
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GOVERNMENTAL AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Property tax	\$ 10,337,889	\$ 336,261	\$ 10,674,150
Other city tax	3,289,892	-	3,289,892
Licenses and permits	366,191	-	366,191
Intergovernmental	8,054,644	1,036,082	9,090,726
Use of money and property	1,277,551	168,543	1,446,094
Charges for service	4,029,957	6,215,210	10,245,167
Other fines	127,717	-	127,717
Miscellaneous	1,862,114	87,300	1,949,414
Total revenues	<u>29,345,955</u>	<u>7,843,396</u>	<u>37,189,351</u>
<u>EXPENSES:</u>			
Current:			
Public safety	5,605,480	-	5,605,480
Public works	5,422,845	-	5,422,845
Health and social services	561,074	-	561,074
Culture and recreation	2,254,478	-	2,254,478
Community and economic development	683,454	-	683,454
General government	2,651,086	-	2,651,086
Capital projects	15,196,440	-	15,196,440
Debt service	3,288,379	-	3,288,379
Business type activities	-	7,334,509	7,334,509
Total expenses	<u>35,663,236</u>	<u>7,334,509</u>	<u>42,997,745</u>
Excess (deficiency) of revenues over (under) expenses	(6,317,281)	508,887	(5,808,394)
Other financing sources (uses):			
Issuance of debt	500,000	-	500,000
Transfers in	6,632,729	3,018,017	9,650,746
Transfers out	<u>(7,152,442)</u>	<u>(2,635,472)</u>	<u>(9,787,914)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenses and other financing uses	(6,336,994)	891,432	(5,445,562)
Fund balance - Beginning of year	<u>19,346,533</u>	<u>13,799,388</u>	<u>33,145,921</u>
Fund balance - End of year	\$ <u>13,009,539</u>	\$ <u>14,690,820</u>	\$ <u>27,700,359</u>
See Accompanying Independent Auditor's Report			

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 8,726,008	\$ 9,202,008	\$ 1,472,142
3,651,780	3,951,780	(661,888)
441,432	441,432	(75,241)
11,394,387	11,402,387	(2,311,661)
757,804	942,804	503,290
12,587,113	13,037,113	(2,791,946)
22,000	22,000	105,717
1,905,590	1,987,590	(38,176)
<u>39,486,114</u>	<u>40,987,114</u>	<u>(3,797,763)</u>
5,752,378	6,087,522	482,042
5,208,795	5,688,795	265,950
353,437	523,437	(37,637)
2,054,746	2,210,746	(43,732)
753,527	753,527	70,073
2,483,316	2,683,316	32,230
18,923,469	17,133,469	1,937,029
3,444,497	3,444,497	156,118
<u>11,725,976</u>	<u>13,153,976</u>	<u>5,819,467</u>
<u>50,700,141</u>	<u>51,679,285</u>	<u>8,681,540</u>
(11,214,027)	(10,692,171)	4,883,777
453,518	453,518	46,482
8,290,665	9,017,665	633,081
<u>(8,290,665)</u>	<u>(9,017,665)</u>	<u>(770,249)</u>
(10,760,509)	(10,238,653)	4,793,091
<u>22,426,185</u>	<u>22,426,185</u>	<u>10,719,736</u>
\$ <u>11,665,676</u>	\$ <u>12,187,532</u>	\$ <u>15,512,827</u>

CITY OF OTTUMWA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$979,144. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the health and social services and culture and recreation functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

Schedule 1

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,228,112	\$ 2,337,299	\$ 711,927	\$ 7,277,338
Receivables:				
Property taxes	1,592,935	-	-	1,592,935
Accounts	87,152	116,947	-	204,099
Other governments	654,368	52,203	-	706,571
Inventory	21,669	-	-	21,669
Prepaid insurance	176,015	-	-	176,015
Deposit	25,000	-	-	25,000
TOTAL ASSETS	\$ 6,785,251	\$ 2,506,449	\$ 711,927	\$ 10,003,627
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 402,755	\$ 79,693	\$ -	\$ 482,448
Wages and benefits payable	30,100	-	-	30,100
Compensated absences	93,871	-	-	93,871
Unearned property tax revenue	1,550,664	-	-	1,550,664
Unearned revenue	43,829	116,947	-	160,776
Due to other funds	3,214	-	-	3,214
TOTAL LIABILITIES	2,124,433	196,640	-	2,321,073
<u>FUND BALANCES:</u>				
Reserved for:				
Capital/construction	2,714,014	2,309,809	-	5,023,823
Prepaid insurance	176,015	-	-	176,015
Endowments	174,462	-	711,927	886,389
Insurance	361,697	-	-	361,697
Unreserved, undesignated	1,234,630	-	-	1,234,630
TOTAL FUND BALANCES	4,660,818	2,309,809	711,927	7,682,554
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,785,251	\$ 2,506,449	\$ 711,927	\$ 10,003,627

CITY OF OTTUMWA, IOWA

Schedule 2

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>REVENUES:</u>				
Property tax	\$ 1,649,710	\$ -	\$ -	\$ 1,649,710
Other city tax	2,790,484	-	-	2,790,484
Intergovernmental	2,828,241	246,647	-	3,074,888
Use of money and property	664,289	99,688	8,721	772,698
Charges for service	1,118,668	75	16,060	1,134,803
Miscellaneous	405,569	23,972	-	429,541
Total revenues	<u>9,456,961</u>	<u>370,382</u>	<u>24,781</u>	<u>9,852,124</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	116,595	58,950	-	175,545
Public works	3,955,610	38,524	-	3,994,134
Health and social services	32,596	70,903	-	103,499
Culture and recreation	1,000,379	73,012	-	1,073,391
Community and economic development	384,477	-	-	384,477
General government	1,680,880	-	-	1,680,880
Capital outlay	874,064	763,685	-	1,637,749
Total expenditures	<u>8,044,601</u>	<u>1,005,074</u>	<u>-</u>	<u>9,049,675</u>
Excess (deficiency) of revenues over (under) expenditures	1,412,360	(634,692)	24,781	802,449
Other financing sources (uses):				
Issuance of debt	500,000	-	-	500,000
Transfers in	2,298,255	60,000	7,000	2,365,255
Transfers out	<u>(3,240,324)</u>	<u>-</u>	<u>(3,173)</u>	<u>(3,243,497)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	970,291	(574,692)	28,608	424,207
Fund balance - Beginning of year	<u>3,690,527</u>	<u>2,884,501</u>	<u>683,319</u>	<u>7,258,347</u>
Fund balance - End of year	\$ <u>4,660,818</u>	\$ <u>2,309,809</u>	\$ <u>711,927</u>	\$ <u>7,682,554</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Special Grants</u>	<u>Block Grants</u>	<u>Tax Increment Fund</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 172,338	\$ -	\$ 242,726	\$ 48,989	\$ 1,370	\$ 37,253	\$ 1,119,718
Receivables:							
Property taxes	-	128,969	229,520	118,965	-	-	685,989
Accounts	7,223	-	-	-	-	43,829	-
Other governments	68,709	-	-	-	6,977	76,283	53,237
Inventory	-	-	-	-	-	-	-
Prepaid insurance	13,740	-	1,909	2,981	-	-	-
Deposit	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 262,010	\$ 128,969	\$ 474,155	\$ 170,935	\$ 8,347	\$ 157,365	\$ 1,858,944
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES:</u>							
Accounts payable	\$ 95,625	\$ -	\$ 16,976	\$ 3,806	\$ 8,347	\$ 888	\$ 76,892
Wages and benefits payable	2,400	-	6,100	2,200	-	-	-
Compensated absences	6,178	-	11,674	8,975	-	-	-
Unearned property tax revenue	-	125,755	220,540	116,072	-	-	672,731
Unearned revenue	-	-	-	-	-	43,829	-
Due to other funds	-	3,214	-	-	-	-	-
TOTAL LIABILITIES	104,203	128,969	255,290	131,053	8,347	44,717	749,623
<u>FUND BALANCES:</u>							
Reserved for:							
Capital/construction	-	-	-	36,901	-	-	1,109,321
Prepaid insurance	13,740	-	1,909	2,981	-	-	-
Endowments	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Unreserved	144,067	-	216,956	-	-	112,648	-
TOTAL FUND BALANCES	157,807	-	218,865	39,882	-	112,648	1,109,321
TOTAL LIABILITIES AND FUND BALANCES	\$ 262,010	\$ 128,969	\$ 474,155	\$ 170,935	\$ 8,347	\$ 157,365	\$ 1,858,944

<u>Risk Management</u>	<u>State Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Fire Bequest</u>	<u>Retiree Health Insurance</u>	<u>Library Bequest</u>	<u>Park Bequest</u>	<u>Police Bequest</u>	<u>Historic Preservation</u>	<u>Total</u>
\$ 157 660	\$ 879 934	\$ 1 146 755	\$ 17 443	\$ 235 312	\$ 117 043	\$ 4 376	\$ 44 866	\$ 2 329	\$ 4 228 112
293 740	6 783	-	-	-	128 969	-	-	-	1 592 935
3 220	-	-	-	32 880	-	-	-	-	87 152
-	28 125	421 037	-	-	-	-	-	-	654 368
-	21 669	-	-	-	-	-	-	-	21 669
157 385	-	-	-	-	-	-	-	-	176 015
25,000	-	-	-	-	-	-	-	-	25,000
<u>\$ 637,005</u>	<u>\$ 936,511</u>	<u>\$ 1,567,792</u>	<u>\$ 17,443</u>	<u>\$ 268,192</u>	<u>\$ 246,012</u>	<u>\$ 4,376</u>	<u>\$ 44,866</u>	<u>\$ 2,329</u>	<u>\$ 6,785,251</u>
\$ 46 440	\$ 90 593	\$ -	\$ 870	\$ 51 593	\$ 9 994	\$ -	\$ 731	\$ -	\$ 402 755
900	18 500	-	-	-	-	-	-	-	30 100
585	66,459	-	-	-	-	-	-	-	93,871
286 597	-	-	-	-	128 969	-	-	-	1 550 664
-	-	-	-	-	-	-	-	-	43 829
-	-	-	-	-	-	-	-	-	3,214
<u>334,522</u>	<u>175,552</u>	<u>-</u>	<u>870</u>	<u>51,593</u>	<u>138,963</u>	<u>-</u>	<u>731</u>	<u>-</u>	<u>2,124,433</u>
-	-	1 567 792	-	-	-	-	-	-	2 714 014
157 385	-	-	-	-	-	-	-	-	176 015
-	-	-	16 573	-	107 049	4 376	44 135	2 329	174 462
145 098	-	-	-	216 599	-	-	-	-	361 697
-	760,959	-	-	-	-	-	-	-	1,234,630
<u>302,483</u>	<u>760,959</u>	<u>1,567,792</u>	<u>16,573</u>	<u>216,599</u>	<u>107,049</u>	<u>4,376</u>	<u>44,135</u>	<u>2,329</u>	<u>4,660,818</u>
<u>\$ 637,005</u>	<u>\$ 936,511</u>	<u>\$ 1,567,792</u>	<u>\$ 17,443</u>	<u>\$ 268,192</u>	<u>\$ 246,012</u>	<u>\$ 4,376</u>	<u>\$ 44,866</u>	<u>\$ 2,329</u>	<u>\$ 6,785,251</u>

CITY OF OTTUMWA, IOWA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Special Grants</u>	<u>Block Grants</u>	<u>Tax Increment Fund</u>
REVENUES:							
Property tax	\$ -	\$ 122,693	\$ 342,760	\$ 110,420	\$ -	\$ -	\$ 801,194
Other city taxes	-	-	-	-	-	-	-
Intergovernmental	68,709	-	29,340	-	32,596	195,072	308,995
Use of money and property	544,286	-	8,295	29,808	-	-	53,698
Charges for service	-	-	13,968	132,476	-	-	-
Miscellaneous	14,285	-	88,566	5,621	-	45,376	13,816
Total revenues	<u>627,280</u>	<u>122,693</u>	<u>482,929</u>	<u>278,325</u>	<u>32,596</u>	<u>240,448</u>	<u>1,177,703</u>
EXPENDITURES:							
Operating:							
Public safety	-	-	-	-	-	-	-
Public works	604,525	-	-	-	-	-	-
Health and social services	-	-	-	-	32,596	-	-
Culture and recreation	-	-	554,192	357,719	-	-	-
Community and economic development	105,522	-	-	-	-	241,652	37,303
General government	-	-	-	-	-	-	9,351
Capital outlay	-	-	-	-	-	-	816,487
Total expenditures	<u>710,047</u>	<u>-</u>	<u>554,192</u>	<u>357,719</u>	<u>32,596</u>	<u>241,652</u>	<u>863,141</u>
Excess (deficiency) of revenues over (under) expenditures	(82,767)	122,693	(71,263)	(79,394)	-	(1,204)	314,562
Other financing sources (uses):							
Issuance of debt	-	-	-	-	-	-	500,000
Transfers in	90,000	-	86,437	63,079	-	20,000	-
Transfers out	-	(122,693)	-	(7,000)	-	(20,000)	(571,151)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,233	-	15,174	(23,315)	-	(1,204)	243,411
Fund balance - Beginning of year	<u>150,574</u>	<u>-</u>	<u>203,691</u>	<u>63,197</u>	<u>-</u>	<u>113,852</u>	<u>865,910</u>
Fund balance - End of year	\$ <u>157,807</u>	\$ <u>-</u>	\$ <u>218,865</u>	\$ <u>39,882</u>	\$ <u>-</u>	\$ <u>112,648</u>	\$ <u>1,109,321</u>

<u>Risk Management</u>	<u>State Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Fire Bequest</u>	<u>Retiree Health Insurance</u>	<u>Library Bequest</u>	<u>Park Bequest</u>	<u>Police Bequest</u>	<u>Historic Preservation</u>	<u>Total</u>
\$ 272 643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1 649 710
-	-	2 790 484	-	-	-	-	-	-	2 790 484
-	2 093 529	100 000	-	-	-	-	-	-	2 828 241
7 536	1 160	-	611	14 377	2 956	169	1,393	-	664 289
-	624 635	-	-	347 589	-	-	-	-	1 118 668
-	35,736	-	6,102	85,326	82,490	-	28,251	-	405,569
<u>280,179</u>	<u>2,755,060</u>	<u>2,890,484</u>	<u>6,713</u>	<u>447,292</u>	<u>85,446</u>	<u>169</u>	<u>29,644</u>	<u>-</u>	<u>9,456,961</u>
96 645	-	-	4 071	-	-	-	15 879	-	116 595
-	3 351 085	-	-	-	-	-	-	-	3 955 610
-	-	-	-	-	-	-	-	-	32 596
-	-	-	-	-	88 188	280	-	-	1 000 379
-	-	-	-	-	-	-	-	-	384 477
270 063	-	-	-	1,401 466	-	-	-	-	1 680 880
-	57,577	-	-	-	-	-	-	-	874,064
<u>366,708</u>	<u>3,408,662</u>	<u>-</u>	<u>4,071</u>	<u>1,401,466</u>	<u>88,188</u>	<u>280</u>	<u>15,879</u>	<u>-</u>	<u>8,044,601</u>
(86 529)	(653 602)	2 890 484	2 642	(954 174)	(2 742)	(111)	13 765	-	1 412 360
-	-	-	-	-	-	-	-	-	500 000
103 529	1,070 210	-	-	865 000	-	-	-	-	2 298 255
<u>(9,482)</u>	<u>(204,600)</u>	<u>(2,305,398)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,240,324)</u>
7 518	212 008	585 086	2 642	(89 174)	(2 742)	(111)	13 765	-	970 291
<u>294,965</u>	<u>548,951</u>	<u>982,706</u>	<u>13,931</u>	<u>305,773</u>	<u>109,791</u>	<u>4,487</u>	<u>30,370</u>	<u>2,329</u>	<u>3,690,527</u>
\$ <u>302,483</u>	\$ <u>760,959</u>	\$ <u>1,567,792</u>	\$ <u>16,573</u>	\$ <u>216,599</u>	\$ <u>107,049</u>	\$ <u>4,376</u>	\$ <u>44,135</u>	\$ <u>2,329</u>	\$ <u>4,660,818</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2006

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 167,657	\$ 105,829	\$ 1,505,296
Receivables:			
Accounts	-	-	-
Other governments	<u>180</u>	<u>50,649</u>	<u>1,374</u>
TOTAL ASSETS	\$ <u>167,837</u>	\$ <u>156,478</u>	\$ <u>1,506,670</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ -	\$ 18,797	\$ 60,297
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>18,797</u>	<u>60,297</u>
<u>FUND BALANCES:</u>			
Reserved:			
Construction	<u>167,837</u>	<u>137,681</u>	<u>1,446,373</u>
TOTAL FUND BALANCES	<u>167,837</u>	<u>137,681</u>	<u>1,446,373</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>167,837</u>	\$ <u>156,478</u>	\$ <u>1,506,670</u>

Schedule 5

<u>Trail Projects</u>	<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 14,924	\$ 370,683	\$ 172,910	\$ 2,337,299
-	116,947	-	116,947
-	-	-	<u>52,203</u>
\$ <u>14,924</u>	\$ <u>487,630</u>	\$ <u>172,910</u>	\$ <u>2,506,449</u>
\$ 5	\$ 594	\$ -	\$ 79,693
-	<u>116,947</u>	-	<u>116,947</u>
<u>5</u>	<u>117,541</u>	-	<u>196,640</u>
<u>14,919</u>	<u>370,089</u>	<u>172,910</u>	<u>2,309,809</u>
<u>14,919</u>	<u>370,089</u>	<u>172,910</u>	<u>2,309,809</u>
\$ <u>14,924</u>	\$ <u>487,630</u>	\$ <u>172,910</u>	\$ <u>2,506,449</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
<u>REVENUES:</u>			
Intergovernmental	\$ -	\$ 245,287	\$ 1,360
Use of money and property	6,711	5,034	87,308
Charges for service	-	-	-
Miscellaneous	<u>4,372</u>	<u>-</u>	<u>4,127</u>
Total revenues	<u>11,083</u>	<u>250,321</u>	<u>92,795</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety	-	-	-
Public works	19,281	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Capital outlay	<u>-</u>	<u>255,862</u>	<u>507,823</u>
Total expenditures	<u>19,281</u>	<u>255,862</u>	<u>507,823</u>
Deficiency of revenues under expenditures	(8,198)	(5,541)	(415,028)
Other financing sources (uses):			
Transfers in	-	-	60,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>60,000</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(8,198)	(5,541)	(355,028)
Fund balance - Beginning of year	<u>176,035</u>	<u>143,222</u>	<u>1,801,401</u>
Fund balance - End of year	\$ <u>167,837</u>	\$ <u>137,681</u>	\$ <u>1,446,373</u>

Schedule 6

<u>Trail Projects</u>	<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 246,647
635	-	-	99,688
-	75	-	75
-	<u>15,473</u>	-	<u>23,972</u>
<u>635</u>	<u>15,548</u>	-	<u>370,382</u>
-	32,375	26,575	58,950
-	19,243	-	38,524
-	70,903	-	70,903
1,894	71,118	-	73,012
-	-	-	763,685
<u>1,894</u>	<u>193,639</u>	<u>26,575</u>	<u>1,005,074</u>
(1,259)	(178,091)	(26,575)	(634,692)
-	-	-	60,000
-	-	-	-
-	-	-	<u>60,000</u>
(1,259)	(178,091)	(26,575)	(574,692)
<u>16,178</u>	<u>548,180</u>	<u>199,485</u>	<u>2,884,501</u>
\$ <u>14,919</u>	\$ <u>370,089</u>	\$ <u>172,910</u>	\$ <u>2,309,809</u>

CITY OF OTTUMWA, IOWA

Schedule 7

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2006

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Memorial</u>	<u>Total Nonmajor Permanent Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>580,107</u>	\$ <u>131,820</u>	\$ <u>711,927</u>
TOTAL ASSETS	\$ <u>580,107</u>	\$ <u>131,820</u>	\$ <u>711,927</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>FUND BALANCES:</u>			
Reserved for:			
Endowments	\$ <u>580,107</u>	\$ <u>131,820</u>	\$ <u>711,927</u>
TOTAL FUND BALANCES	<u>580,107</u>	<u>131,820</u>	<u>711,927</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>580,107</u>	\$ <u>131,820</u>	\$ <u>711,927</u>

CITY OF OTTUMWA, IOWA

Schedule 8

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
YEAR ENDED JUNE 30, 2006

	Cemetery Perpetual Care	Cemetery Memorial	Total Nonmajor Permanent Funds
<u>REVENUES:</u>			
Interest income	\$ -	\$ 8,721	\$ 8,721
Charges for service	<u>16,060</u>	<u>-</u>	<u>16,060</u>
Total revenues	<u>16,060</u>	<u>8,721</u>	<u>24,781</u>
Other financing sources (uses):			
Transfers in	-	7,000	7,000
Transfers out	<u>-</u>	<u>(3,173)</u>	<u>(3,173)</u>
Excess of revenues and other financing sources over other financing uses	16,060	12,548	28,608
Fund balance - Beginning of year	<u>564,047</u>	<u>119,272</u>	<u>683,319</u>
Fund balance - End of year	\$ <u>580,107</u>	\$ <u>131,820</u>	\$ <u>711,927</u>

CITY OF OTTUMWA, IOWA

Schedule 9

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2006

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 84,512	\$ 57,565	\$ 142,077
Receivables:			
Accounts	757	-	757
Property taxes	362,280	-	362,280
Other government	334	-	334
Inventory	-	46,208	46,208
Prepaid expenses	21,088	3,691	24,779
Total Current Assets	<u>468,971</u>	<u>107,464</u>	<u>576,435</u>
Capital Assets:			
Land	-	80,000	80,000
Buildings	853,168	174,855	1,028,023
Improvements other than buildings	-	878,105	878,105
Machinery and equipment	1,977,092	438,656	2,415,748
Less accumulated depreciation	<u>(1,536,277)</u>	<u>(686,904)</u>	<u>(2,223,181)</u>
Total Capital Assets	<u>1,293,983</u>	<u>884,712</u>	<u>2,178,695</u>
TOTAL ASSETS	\$ <u>1,762,954</u>	\$ <u>992,176</u>	\$ <u>2,755,130</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 8,832	\$ 35,471	\$ 44,303
Wages and benefits payable	10,100	5,500	15,600
Accrued interest payable	-	2,036	2,036
Compensated absences payable	13,173	10,718	23,891
Unearned property tax revenue	353,470	-	353,470
Unearned revenue	-	72,375	72,375
Due to other funds	-	185,000	185,000
Current portion of bonds payable	-	40,000	40,000
Total Current Liabilities	<u>385,575</u>	<u>351,100</u>	<u>736,675</u>
Long-term Liabilities:			
Bonds payable:			
Long-term	-	490,000	490,000
Total Long-term Liabilities	-	<u>490,000</u>	<u>490,000</u>
TOTAL LIABILITIES	<u>385,575</u>	<u>841,100</u>	<u>1,226,675</u>
<u>NET ASSETS:</u>			
Investment in capital assets, net of related debt	1,293,983	354,712	1,648,695
Reserved for:			
Prepaid expenses	21,088	3,691	24,779
Unreserved	<u>62,308</u>	<u>(207,327)</u>	<u>(145,019)</u>
TOTAL NET ASSETS	<u>1,377,379</u>	<u>151,076</u>	<u>1,528,455</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,762,954</u>	\$ <u>992,176</u>	\$ <u>2,755,130</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 10

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:			
Charges for service	\$ 128,855	\$ 580,953	\$ 709,808
Miscellaneous	<u>3,927</u>	<u>3,044</u>	<u>6,971</u>
Total operating revenues	<u>132,782</u>	<u>583,997</u>	<u>716,779</u>
Operating expenses:			
Operations	955,887	519,533	1,475,420
Capital outlay	150,446	-	150,446
Depreciation	<u>49,756</u>	<u>74,406</u>	<u>124,162</u>
Total operating expenses	<u>1,156,089</u>	<u>593,939</u>	<u>1,750,028</u>
Operating loss	(1,023,307)	(9,942)	(1,033,249)
Nonoperating revenue:			
Interest income	3,457	-	3,457
Property taxes	336,261	-	336,261
Intergovernmental	<u>689,074</u>	<u>-</u>	<u>689,074</u>
Income (loss) before operating transfers	5,485	(9,942)	(4,457)
Other financing sources (uses):			
Transfers in	-	40,000	40,000
Transfers out	<u>-</u>	<u>(13,100)</u>	<u>(13,100)</u>
Change in net assets	5,485	16,958	22,443
Net assets - Beginning of year	<u>1,371,894</u>	<u>134,118</u>	<u>1,506,012</u>
Net assets - End of year	\$ <u>1,377,379</u>	\$ <u>151,076</u>	\$ <u>1,528,455</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 140,301	\$ 583,444	\$ 723,745
Cash paid to employees	(635,299)	(244,838)	(880,137)
Cash paid to suppliers	(496,349)	(368,285)	(864,634)
Cash used in operations	(1,131,648)	(613,123)	(1,744,771)
NET CASH USED IN OPERATING ACTIVITIES	(991,347)	(29,679)	(1,021,026)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	334,743	-	334,743
Intergovernmental	689,074	-	689,074
Transfers from other funds	-	40,000	40,000
Transfers to other funds	-	(13,100)	(13,100)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,023,817	26,900	1,050,717
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Payment of long term debt:			
General obligation bonds	-	(40,000)	(40,000)
Additions to property and equipment	(154,703)	(10,000)	(164,703)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(154,703)	(50,000)	(204,703)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	3,457	-	3,457
NET DECREASE IN CASH AND CASH EQUIVALENTS	(118,776)	(52,779)	(171,555)
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>203,288</u>	<u>110,344</u>	<u>313,632</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 84,512</u>	<u>\$ 57,565</u>	<u>\$ 142,077</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating loss	\$ (1,023,307)	\$ (9,942)	\$ (1,033,249)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	49,756	74,406	124,162
Changes in assets and liabilities:			
Decrease in receivables	1,315	-	1,315
Increase in inventory	-	(13,342)	(13,342)
Increase in prepaid insurance	(963)	(552)	(1,515)
Decrease in due from other governments	6,204	-	6,204
Decrease in accounts payable	(24,848)	(4,654)	(29,502)
Increase in wages and benefits payable	1,400	600	2,000
Decrease in accrued interest payable	-	(147)	(147)
Decrease in compensated absences payable	(904)	(495)	(1,399)
Decrease in unearned revenue	-	(553)	(553)
Decrease in due to other funds	-	(75,000)	(75,000)
NET CASH USED IN OPERATING ACTIVITIES	\$ (991,347)	\$ (29,679)	\$ (1,021,026)

CITY OF OTTUMWA, IOWA

Schedule 12

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2006

	<u>Payroll Clearing</u>	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ <u>272,544</u>	\$ <u>506,626</u>	\$ <u>765,927</u>	\$ <u>1,545,097</u>
TOTAL ASSETS	\$ <u>272,544</u>	\$ <u>506,626</u>	\$ <u>765,927</u>	\$ <u>1,545,097</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ <u>272,544</u>	\$ <u>39,477</u>	\$ <u>353,356</u>	\$ <u>665,377</u>
<u>NET ASSETS:</u>				
Retained earnings:				
Restricted	-	-	412,571	412,571
Unrestricted	-	<u>467,149</u>	-	<u>467,149</u>
TOTAL NET ASSETS	-	<u>467,149</u>	<u>412,571</u>	<u>879,720</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>272,544</u>	\$ <u>506,626</u>	\$ <u>765,927</u>	\$ <u>1,545,097</u>

CITY OF OTTUMWA, IOWA

Schedule 13

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN
FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2006

	Equipment Purchasing	Employee Insurance	Total
<u>OPERATING REVENUES:</u>			
Charges for service and other operating revenues	\$ -	\$ 2,166,689	\$ 2,166,689
<u>EXPENSES:</u>			
Operations	-	1,832,420	1,832,420
Operating income	-	334,269	334,269
Nonoperating revenue:			
Interest income	-	20,362	20,362
Income before operating transfers	-	354,631	354,631
Transfers:			
Transfers in	302,000	-	302,000
Transfers out	(140,876)	-	(140,876)
Change in net assets	161,124	354,631	515,755
Net assets - Beginning of year	306,025	57,940	363,965
Net assets - End of year	\$ 467,149	\$ 412,571	\$ 879,720

CITY OF OTTUMWA, IOWA

Schedule 14

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Payroll Clearing</u>	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total Nonmajor Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from operations	\$ -	\$ -	\$ 2,166,689	\$ 2,166,689
Cash paid to employees	(33,782)	-	-	(33,782)
Cash paid to suppliers	-	39,477	(1,757,787)	(1,718,310)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(33,782)	39,477	408,902	414,597
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers from other funds	-	302,000	-	302,000
Transfers to other funds	-	(140,876)	-	(140,876)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	161,124	-	161,124
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest income received	-	-	20,362	20,362
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,782)	200,601	429,264	596,083
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	306,326	306,025	336,663	949,014
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ 272,544	\$ 506,626	\$ 765,927	\$ 1,545,097
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating income	\$ -	\$ -	\$ 334,269	\$ 334,269
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	(33,782)	39,477	74,633	80,328
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (33,782)	\$ 39,477	\$ 408,902	\$ 414,597

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Expenditures of Federal Awards</u>			
<u>Direct:</u>			
Department of Transportation:			
FAA Grant Ramp/Apron	20 106	19-073-12	\$ 22,553
FAA Grant Crackseal/Apron	20 106	3-19-0073-11	<u>222,734</u>
			<u>245,287</u>
Department of Justice:			
Local Law Enforcement Block Grant Program	16 592	Various	<u>23,149</u>
U S. Environmental Protection Agency:			
EPA Grant	66 606	XP987710-01	<u>347,008</u>
Total Expenditures of Direct Federal Awards			<u>615,444</u>
<u>Indirect:</u>			
Department of Housing and Urban Development:			
Community Development Block Grants:			
First Time Home Buyers Grant	14 239	04-HM-110-60	<u>195,072</u>
Department of Transportation:			
Federal Transit Admin Nonurban Capital Assist	20 509	18-0027-150-06	87,077
Federal Transit Admin Nonurban Capital Assist	20 509	18-0025-582-04	16,000
Federal Transit Admin Nonurban Capital Assist	20 509	18-0028-150-06	9,384
Federal Transit Admin Nonurban Capital Assist	20 509	18-0025-150-04	168,128
Federal Transit Admin Nonurban Capital Assist	20 509	18-0027-150-05	3,712
Federal Transit Admin Nonurban Capital Assist	20 509	7757	<u>72,727</u>
			<u>357,028</u>
Federal Transit Admin Nonurban Operating	20 513	18-4027-582-06	205,269
Federal Transit Admin Nonurban Operating	20 513	18-4027-150-06	147,533
Elderly Persons with Disabilities Project	20 513	16-0030-150-06	<u>80,356</u>
			<u>433,158</u>
ITS Deployment Project	20 515	7757	<u>104,710</u>
Job Access/Reverse Commute Project	20 516	37-X011-582-06	14,582
Job Access/Reverse Commute Project	20 516	37-X010-582-05	<u>66,355</u>
			<u>80,937</u>
STP Traffic Grant	20 205	STP-U-5825(626)-70-90	253,125
TEA-21 Iowa Avenue	20 205	STP-U-5825(625)-70-90	<u>1,360</u>
			<u>254,485</u>
Traffic Safety Grant	20 600	PAP-06-04	9,463
Traffic Safety Grant	20 600	PAP-05-04	1,355
Alcohol Grant	20 600	PAP-05-163	8,444
Alcohol Grant	20 600	PAP-06-163	<u>19,061</u>
			<u>38,323</u>
Department of Justice:			
Drug Endangered Childrens Grant	16 541	05-JJDP-05	<u>1,043</u>
Drug Task Force	16 579	05JAG-A04	<u>123,808</u>
Department of Economic Development:			
Homeless Shelter Operations Grant	14 231	05-ES-002	<u>32,596</u>
Department of Health & Human Services:			
Homeland Security Grant	20 703	FFY 2006 HMEP	<u>3,156</u>
Total Expenditures of Indirect Federal Awards			<u>1,624,316</u>
Total Expenditures of Federal Awards			\$ <u>2,239,760</u>

CITY OF OTTUMWA, IOWA

Schedule 15 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ottumwa, Iowa and is presented on the accrual/modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

NET ASSETS BY COMPONENT

LAST FOUR FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	Fiscal Year			
	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Government Activities:				
Invested in capital assets, net of related debt	\$ 8,649	\$ 13,046	\$ 19,610	\$ 49,211
Restricted	349	82	203	297
Unrestricted	<u>6,429</u>	<u>7,491</u>	<u>8,115</u>	<u>3,065</u>
Total governmental activities net assets	\$ <u>15,427</u>	\$ <u>20,619</u>	\$ <u>27,928</u>	\$ <u>52,573</u>
Business Type Activities:				
Invested in capital assets, net of related debt	\$ 10,101	\$ 10,263	\$ 10,830	\$ 11,774
Restricted	1,235	1,600	1,544	1,453
Unrestricted	<u>2,482</u>	<u>2,147</u>	<u>1,363</u>	<u>1,477</u>
Total business type activities net assets	\$ <u>13,818</u>	\$ <u>14,010</u>	\$ <u>13,737</u>	\$ <u>14,704</u>
Primary Government:				
Invested in capital assets, net of related debt	\$ 18,750	\$ 23,309	\$ 30,440	\$ 60,985
Restricted	1,584	1,682	1,747	1,750
Unrestricted	<u>8,911</u>	<u>9,638</u>	<u>9,478</u>	<u>4,542</u>
Total primary government net assets	\$ <u>29,245</u>	\$ <u>34,629</u>	\$ <u>41,665</u>	\$ <u>67,277</u>

(1) First year of reporting on Government-wide financial statements.

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>Fiscal Year</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental Activities:				
General government	\$ 2,347	\$ 2,190	\$ 2,509	\$ 2,711
Public safety	6,699	5,535	5,555	5,684
Public services	4,123	4,312	5,421	6,859
Culture and recreation	2,063	1,660	984	1,982
Community development	2,562	1,941	1,896	1,467
Interest on long-term debt	568	832	609	634
Total governmental activities expenses	<u>18,362</u>	<u>16,470</u>	<u>16,974</u>	<u>19,337</u>
Business Type Activities:				
Solid waste	1,737	1,852	1,889	1,686
Sewer utility	3,401	3,498	3,618	3,842
Other (Transit/Golf)	1,113	1,493	1,615	1,731
Total business type activities expenses	<u>6,251</u>	<u>6,843</u>	<u>7,122</u>	<u>7,259</u>
Total primary government expenses	<u>24,613</u>	<u>23,313</u>	<u>24,096</u>	<u>26,596</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	1,032	1,121	1,211	1,537
Public safety	411	431	413	464
Public services	1,585	2,375	2,481	2,812
Culture and recreation	778	745	746	856
Community development	728	290	627	1,691
Operating grants and contributions	3,726	3,033	2,909	2,903
Capital grant and contributions	1,258	1,768	2,830	5,152
Total governmental activities program revenues	<u>9,518</u>	<u>9,763</u>	<u>11,217</u>	<u>15,415</u>
Business Type Activities:				
Charges for services:				
Solid waste	1,590	1,916	1,568	1,674
Sewer utility	3,294	3,374	3,235	3,911
Other (Transit/Golf)	476	633	675	717
Operating grants and contributions	288	364	239	469
Capital grants and contributions	16	77	519	567
Total business type activities program revenues	<u>5,664</u>	<u>6,364</u>	<u>6,236</u>	<u>7,338</u>
Total primary government program revenues	\$ <u>15,182</u>	\$ <u>16,127</u>	\$ <u>17,453</u>	\$ <u>22,753</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS

LAST FOUR FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	<u>Fiscal Year</u>			
	<u>2003(1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (expense) revenue				
Governmental activities	\$ (8,844)	\$ (6,707)	\$ (5,757)	\$ (3,922)
Business type activities	<u>(587)</u>	<u>(479)</u>	<u>(886)</u>	<u>79</u>
Total primary governments net expense	<u>(9,431)</u>	<u>(7,186)</u>	<u>(6,643)</u>	<u>(3,843)</u>
General Revenues and Other Changes				
In Net Assets				
Governmental Activities:				
Taxes:				
Property taxes	8,489	8,780	9,721	9,920
Sales taxes	2,255	2,218	2,359	2,791
Other taxes	931	882	921	917
Investment earnings	357	100	195	268
Miscellaneous	40	141	138	22
Transfers	<u>56</u>	<u>(204)</u>	<u>(135)</u>	<u>(359)</u>
Total governmental activities	<u>12,128</u>	<u>11,917</u>	<u>13,199</u>	<u>13,559</u>
Business Type Activities:				
Property taxes	295	295	324	336
Investment earnings	214	171	154	169
Transfers	<u>(56)</u>	<u>204</u>	<u>135</u>	<u>383</u>
Total business type activities	<u>453</u>	<u>670</u>	<u>613</u>	<u>888</u>
Total primary government	<u>12,581</u>	<u>12,587</u>	<u>13,812</u>	<u>14,447</u>
Change in Net Assets				
Government activities	3,284	5,210	7,442	9,637
Business type activities	<u>(134)</u>	<u>191</u>	<u>(273)</u>	<u>967</u>
Total primary government	\$ <u>3,150</u>	\$ <u>5,401</u>	\$ <u>7,169</u>	\$ <u>10,604</u>

(1) First year of reporting on Government-wide financial statements.

CITY OF OTTUMWA, IOWA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Utility Replacement</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
1997	\$ -	\$ 7,310	\$ -	\$ 305	\$ 7,615
1998	-	7,454	-	310	7,764
1999	-	7,845	1,670 (1)	324	9,839
2000	-	8,123	1,942	351	10,416
2001	417 (2)	7,631 (2)	2,087	425	10,560
2002	408	7,765	2,025	434	10,632
2003	473	8,489	2,255	458	11,675
2004	438	8,780	2,218	444	11,880
2005	431	9,721	2,359	490	13,001
2006	418	9,920	2,791	499	13,628

(1) First year of 1% Local Option Sales Tax

(2) The State of Iowa changed the method of gas and electric utility taxation in FY2001. Utility taxes are paid into a statewide pool and distributed back to local taxing jurisdictions.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund:					
Reserved	\$ 12	\$ -	\$ 10	\$ 25	\$ 10
Unreserved	<u>467</u>	<u>683</u>	<u>739</u>	<u>760</u>	<u>829</u>
Total general fund	<u>\$ 479</u>	<u>\$ 683</u>	<u>\$ 749</u>	<u>\$ 785</u>	<u>\$ 839</u>
All Other Governmental Funds:					
Reserved	\$ 4,630	\$ 3,933	\$ 5,105	\$ 3,727	\$ 5,216
Unreserved, report in:					
Special revenue funds	<u>275</u>	<u>386</u>	<u>505</u>	<u>691</u>	<u>554</u>
Total all other governmental funds	<u>\$ 4,905</u>	<u>\$ 4,319</u>	<u>\$ 5,610</u>	<u>\$ 4,418</u>	<u>\$ 5,770</u>

Fiscal Year

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ -	\$ -	\$ -	\$ 110	\$ 113
<u>921</u>	<u>1,327</u>	<u>1,356</u>	<u>1,389</u>	<u>1,757</u>
\$ <u>921</u>	\$ <u>1,327</u>	\$ <u>1,356</u>	\$ <u>1,499</u>	\$ <u>1,870</u>
\$ 4,828	\$ 17,301	\$ 15,801	\$ 16,846	\$ 9,905
<u>652</u>	<u>1,190</u>	<u>1,052</u>	<u>1,001</u>	<u>1,235</u>
\$ <u>5,480</u>	\$ <u>18,491</u>	\$ <u>16,853</u>	\$ <u>17,847</u>	\$ <u>11,140</u>

CITY OF OTTUMWA, IOWA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 UNAUDITED

(Modified Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues				
Taxes	\$ 7,615	\$ 7,764	\$ 9,839	\$ 10,416
Licenses and permits	244	218	225	251
Intergovernmental	4,650	3,711	4,403	4,777
Money and property	573	630	674	718
Charges for services	934	1,102	1,024	1,040
Fines	91	92	104	95
Miscellaneous	533	675	641	463
Total revenues	<u>14,640</u>	<u>14,192</u>	<u>16,910</u>	<u>17,760</u>
Expenditures (1)				
General government	808	860	919	964
Public safety (2)	4,533	4,272	5,938	6,419
Public works	4,385	3,309	4,529	4,758
Health and social services (1)	-	-	-	-
Culture and recreation	1,975	2,021	2,201	2,203
Community and economic development (1)	-	-	-	-
Capital outlay	1,354	1,685	1,596	1,657
Debt service:				
Principal	1,414	1,411	1,994	2,190
Interest	500	645	556	545
Total expenditures	<u>14,969</u>	<u>14,203</u>	<u>17,733</u>	<u>18,736</u>
Deficiency of revenues under expenditures	<u>(329)</u>	<u>(11)</u>	<u>(823)</u>	<u>(976)</u>
Other financing sources (uses):				
Transfers in	2,234	2,310	2,851	3,246
Transfers out	(2,641)	(2,926)	(3,433)	(3,642)
Bond proceeds (3)	3,370	265	2,775	200
Bond issue costs	(38)	(2)	(40)	(4)
Total other financing sources (uses)	<u>2,925</u>	<u>(353)</u>	<u>2,153</u>	<u>(200)</u>
Total changes in fund balances	\$ <u>2,596</u>	\$ <u>(364)</u>	\$ <u>1,330</u>	\$ <u>(1,176)</u>
Debt service as a percentage of noncapital expenditures	14.1 %	16.4 %	15.8 %	16.0 %

(1) Expenditures prior to FY 2003 were categorized differently. Health and social services were classified under culture and recreation. Community and economic development were classified with public works. There were several other classification differences as well.

(2) 100% of the local option sales tax for FY 1999 through FY 2003 was dedicated to the Wapello County joint Law Enforcement Center

(3) Bond proceeds in FY 2003 of \$11 million for the Bridge View Events Center which was still under construction as of June 30, 2006.

Fiscal Year					
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 10,560	\$ 10,632	\$ 11,675	\$ 11,879	\$ 13,001	\$ 13,628
220	258	351	291	334	366
3,895	3,847	5,084	4,801	5,739	8,055
787	683	753	876	930	1,277
987	1,260	2,674	3,448	3,647	4,030
91	106	102	122	125	128
544	309	969	398	798	1,862
<u>17,084</u>	<u>17,095</u>	<u>21,608</u>	<u>21,815</u>	<u>24,574</u>	<u>29,346</u>
998	1,007	2,028	2,085	2,442	2,651
6,774	6,712	6,717	4,937	5,805	5,606
3,683	3,432	3,881	4,688	4,844	5,423
-	-	307	309	380	561
2,652	1,988	2,031	2,007	2,040	2,254
-	-	798	805	533	684
1,452	1,709	6,147	5,197	5,649	15,196
2,417	2,041	2,187	2,461	3,205	2,633
381	450	361	939	666	655
<u>18,357</u>	<u>17,339</u>	<u>24,457</u>	<u>23,428</u>	<u>25,564</u>	<u>35,663</u>
<u>(1,273)</u>	<u>(244)</u>	<u>(2,849)</u>	<u>(1,613)</u>	<u>(990)</u>	<u>(6,317)</u>
3,450	3,233	4,186	5,647	6,092	6,633
(3,789)	(3,888)	(4,093)	(5,799)	(6,268)	(7,153)
3,025	710	15,635	-	2,335	500
(59)	(15)	(22)	-	(32)	-
<u>2,627</u>	<u>40</u>	<u>15,706</u>	<u>(152)</u>	<u>2,127</u>	<u>(20)</u>
\$ <u>1,354</u>	\$ <u>(204)</u>	\$ <u>12,857</u>	\$ <u>(1,765)</u>	\$ <u>1,137</u>	\$ <u>(6,337)</u>
16.6 %	15.9 %	13.9 %	18.6 %	19.4 %	16.1 %

CITY OF OTTUMWA, IOWA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

(In Thousands of Dollars)

Fiscal Year Ended June 30	Real Property			Personal Property	Total Assessed Value	Less: (2) Tax Exempt Real Property
	Residential Property	Commercial Property	Other Property (1)			
1997	\$ 357,302	\$ 90,281	\$ 60,193	\$ 20,086	\$ 527,862	\$ 152,894
1998	357,210	90,432	59,143	19,832	526,617	151,765
1999 (3)	394,610	110,721	62,395	15,202	582,928	185,568
2000	392,230	111,793	64,507	14,362	582,892	174,752
2001	396,735	110,846	66,290	9,721	583,592	184,080
2002	399,833	116,420	62,972	5,677	584,902	178,634
2003 (4)	433,766	119,161	59,296	1,916	614,139	215,997
2004	437,280	121,682	62,235	-	621,197	216,184
2005 (5)	462,608	161,992	64,683	-	689,283	248,288
2006	464,815	176,776	64,926	-	706,517 (6)	251,106

(1) Utilities, industrial and railroad property

(2) Residential property is subject to a statewide formula that "rolls back" the assessed value. The formula has ranged from 58.8% in FY 1997 to 47.96% in FY 2006 and continues to decrease.

(3) State ordered increase of 10% to residential and 19% to commercial values.

(4) State ordered increase of 8% to residential values.

(5) State ordered increase of 5% to residential and 17% to commercial values.

(6) Does not include captured TIF increment. Captured TIF increment for FY 2006 amounted to 17.6 million taxable (26.6 million assessed value).

<u>Total Taxable Value</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Value to Assessed Value</u>	
\$ 374,968	\$ 19.273	71.0	%
374,852	19.281	71.2	
397,360	18.856	68.2	
408,140	18.670	70.0	
399,512	18.673	68.5	
406,268	18.872	69.5	
398,142	20.441	64.8	
405,013	20.985	65.2	
440,995	21.434	64.0	
455,411 (6)	21.593	64.5	

CITY OF OTTUMWA, IOWA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
 UNAUDITED

<u>Fiscal Year</u>	<u>City of Ottumwa</u>			<u>Wapello County</u>			<u>Overlapping</u>
	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	
1997	\$ 14.998	\$ 4.275	\$ 19.273	\$ 7.785	\$ 0.312	\$ 8.097	
1998	15.006	4.275	19.281	7.691	0.283	7.974	
1999	15.054	3.802	18.856	7.716	0.438	8.154	
2000	14.926	3.744	18.670	8.072	0.153	8.225	
2001	14.812	3.861	18.673	6.990	0.274	7.264	
2002	15.021	3.851	18.872	6.897	0.267	7.164	
2003	16.400	4.041	20.441	7.300	0.258	7.558	
2004	16.945	4.040	20.985	7.553	0.247	7.800	
2005	17.296	4.138	21.434	8.131	0.260	8.391	
2006	18.243	3.350	21.593	8.837	0.218	9.055	

Source: Wapello County Auditor's Office

* School debt is now paid from School Infrastructure Local Option Sales Tax (SILO)

Rates

<u>Ottumwa Community School District</u>					Total Direct and Overlapping Rates
Operating Levy	Debt Service Levy	Total Levy	Other Levies		
\$ 14.266	2.615	\$ 16.881	\$ 1.322	\$	45.573
14.438	2.586	17.024	1.288		45.567
14.867	2.611	17.478	1.226		45.714
13.913	2.573	16.486	1.292		44.673
14.412	2.597	17.009	1.245		44.191
14.613	2.584	17.197	1.278		44.511
14.960	2.631	17.591	1.295		46.885
14.964	2.600	17.564	1.233		47.582
14.851	*	14.851	1.205		45.881
14.945	*	14.945	1.293		46.886

CITY OF OTTUMWA, IOWA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
 UNAUDITED
 (Amounts Expressed in Thousands)

Taxpayer	2006			1997		
	January 1, 2004 Taxable Value	Rank	Percentage of Total Taxable Value	January 1, 1995 Taxable Value	Rank	Percentage of Total Taxable Value
Cargill Meat Solutions	\$ 15,311	1	3.2 %	\$ 15,501	3	4.1 %
IES Electric	14,668	2	3.1	17,053	2	4.5
Walmart Real Estate Trust	13,226	3	2.8	3,120	8	0.8
Developer Diversified Realty	11,362	4	2.4	9,415	4	2.5
Menards, Inc.	10,197	5	2.2	-	-	-
John Deere Ottumwa Works	7,194	6	1.5	20,339	1	5.4
Mid-American Energy	6,607	7	1.4	7,064	5	1.9
Ottumwa Medical Clinic	6,596	8	1.4	3,725	7	1.0
Regional Retirement Center	5,302	9	1.1	-	-	-
Qwest	5,057	10	1.1	4,849	6	1.3
Iowa Beverage Mfg	-	-	-	2,505	9	0.7
K-Mart Ottumwa Holding	-	-	-	2,227	10	0.6
Totals	\$ <u>95,520</u>		<u>20.2 %</u>	\$ <u>85,798</u>		<u>22.8 %</u>

Source: Wapello County Auditor's Office

CITY OF OTTUMWA, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Total Tax</u> <u>Levy for (1)</u> <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>
1997	\$ 7,785	\$ 7,674	98.6 %	\$ 5	\$ 7,679	98.6 %
1998	7,962	7,885	99.0	10	7,895	99.2
1999	8,300	8,308	100.0	5	8,313	100.0
2000	8,602	8,564	99.6	17	8,581	99.8
2001	8,473	8,491	100.0	6	8,497	100.0
2002 (2)	8,667	8,577	99.0	47	8,624	99.5
2003 (2)	9,170	9,293	100.0	5	9,298	100.0
2004 (2)	9,532	9,490	99.6	8	9,498	99.6
2005 (2)	10,517	10,464	99.5	12	10,476	99.6
2006 (2)	10,621	10,662	100.0	-	10,662	100.0

(1) Includes TIF Taxes

(2) Includes Utility Replacement Taxes

CITY OF OTTUMWA, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

Fiscal Year	Governmental	Business Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Activities General Obligation Bonds	Sewer Bonds	General Obligation Bonds			
1997	\$ 8,535	\$ 7,926	\$ 740	\$ 17,201	\$ 3.64 %	\$ 702
1998	7,580	12,066	680	20,326	4.24	830
1999	8,565	12,662	620	21,847	4.38	892
2000	6,795	12,398	555	19,748	2.68	806
2001	7,835	11,942	1,190	20,967	3.88	839
2002	6,551	11,308	1,090	18,949	3.30	758
2003	20,017	10,640	985	31,642	5.27	1,266
2004	17,556	9,946	870	28,372	4.62	1,135
2005	16,786	9,223	750	26,759	4.02	1,070
2006	14,653	8,623	625	23,901	N/A	964

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Demographic and Economic Statistics on page 94 for personal income and population data.

CITY OF OTTUMWA, IOWA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
1997	\$ 8,535	\$ 113	\$ 8,422	1.60 %	\$ 344
1998	7,580	135	7,445	1.41	304
1999	8,565	142	8,423	1.44	344
2000	6,795	145	6,650	1.14	272
2001	7,835	148	7,687	1.32	308
2002	6,551	157	6,394	1.09	256
2003	20,017	98	19,919	3.24	797
2004	17,556	82	17,474	2.81	699
2005	16,786	203	16,583	2.41	662
2006	14,653	297	14,356	2.03	579

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on pages 82 and 83 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 94.

CITY OF OTTUMWA, IOWA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2006

UNAUDITED

(Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Wapello County	\$ 175	57.58 %	\$ 101
Ottumwa Community Schools	7,280	79.83	<u>5,812</u>
Subtotal, overlapping debt			5,913
City of Ottumwa direct debt			<u>14,653</u>
Total direct and overlapping debt			\$ <u>20,566</u>

Source: Debt outstanding and assessed value data used to estimate applicable percentages were provided by Wapello County Auditor's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Ottumwa. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Debt Limit	\$ 26,393	\$ 26,331	\$ 29,146	\$ 29,145
Total net debt applicable to limit	<u>9,485</u>	<u>8,260</u>	<u>9,185</u>	<u>7,350</u>
Legal debt margin	\$ <u>16,908</u>	\$ <u>18,071</u>	\$ <u>19,961</u>	\$ <u>21,795</u>
Total net debt applicable to the limit as a percentage of debt limit	35.94 %	31.37 %	31.51 %	25.22 %

Fiscal Year					
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 29,180	\$ 30,642	\$ 32,308	\$ 32,615	\$ 35,950	\$ 36,656
<u>9,025</u>	<u>7,484</u>	<u>20,905</u>	<u>18,345</u>	<u>17,333</u>	<u>14,981</u>
\$ <u>20,155</u>	\$ <u>23,158</u>	\$ <u>11,403</u>	\$ <u>14,270</u>	\$ <u>18,617</u>	\$ <u>21,675</u>
30.93 %	24.42 %	64.71 %	56.25 %	48.21 %	40.87 %

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2006

Total assessed value	\$ <u>733,117</u>
Debt limit (5% of total assessed value)	\$ <u>36,656</u>
Debt applicable to limit:	
General obligation bonds	15,278
Less: Amount set aside for repayment of general obligation debt	<u>(297)</u>
Total net debt applicable to limit	<u>14,981</u>
Legal debt margin	\$ <u>21,675</u>

Note: Under state finance law, the City of Ottumwa's outstanding general obligation debt should not exceed 5 percent of total assessed properly value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repayment of general obligation bonds

CITY OF OTTUMWA, IOWA

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

Fiscal Year	Sewer Revenue Bonds						Coverage
	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
1997	\$ 2,697	\$ 1,768	\$ 929	\$ 300	\$ 313	1.52	
1998	2,608	1,488	1,120	545	379	1.21	
1999	3,177	1,676	1,501	567	530	1.37	
2000	3,446	1,767	1,679	590	537	1.49	
2001	3,599	2,000	1,599	616	518	1.41	
2002	3,616	2,055	1,561	640	499	1.37	
2003	3,437	2,184	1,253	668	472	1.10	
2004	3,470	2,388	1,082	694	444	0.95	
2005	3,299	2,444	855	723	415	0.75	
2006	3,993	2,701	1,292	751	359	1.16	

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Sewer charges and other includes investment income. Operating expenses do not include interest or depreciation.

CITY OF OTTUMWA, IOWA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
 UNAUDITED

<u>Fiscal Year</u>	<u>City</u>	<u>County</u>	<u>Personal Income (In Thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Formal Schooling (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1997	24,488	36,052	\$ 695,703	\$ 19,297	37.3	12.2	4,924	7.4 %
1998	24,488	35,980	704,564	19,582	37.3	12.2	4,822	4.6
1999	24,488	35,948	732,242	20,369	37.3	12.2	4,905	4.5
2000	24,488	36,042	736,343	20,430	38.2	12.7	4,921	4.4
2001	24,998	36,009	779,106	21,636	38.2	12.7	4,878	5.3
2002	24,998	36,024	828,735	23,005	38.2	12.7	4,928	6.3
2003	24,998	35,922	862,582	24,013	38.2	12.7	4,889	6.4
2004	24,998	35,867	880,388	24,546	38.2	12.7	4,889	6.7
2005	24,998	35,793	951,425	26,581	38.2	12.7	4,860	5.7
2006	24,798	35,965	Not Available	N/A	38.2	12.7	4,768	4.5

Data Sources:

- (1) Bureau of Census
- (2) School District
- (3) Iowa Workforce Development

Note: Personal income and per capita personal income are based on Wapello County statistics. City of Ottumwa figures are not readily available.

CITY OF OTTUMWA, IOWA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Cargill Meat Solutions	2,250	1	11.38 %	1,264	1	6.65 %
John Deere Ottumwa Works	950	2	4.81	747	3	3.93
Ottumwa Regional Health	950	2	4.81	950	2	5.00
Ottumwa Community Schools	700	4	3.54	545	4	2.87
Wal-Mart Super Center	383	5	1.94	*191	10	1.01
Indian Hills Community College	343	6	1.73	372	5	1.96
Hy-Vee Corporation	334	7	1.69	*300	6	1.58
City of Ottumwa	242	8	1.22	238	7	1.25
Winbco Tank Company	235	9	1.19	*210	8	1.11
Cadbury Schweppes	200	10	1.01	-	-	-
Winger Companies	-	-	-	*197	9	1.04
	<u>6,587</u>		<u>33.32</u>	<u>5,014</u>		<u>26.40</u>

Source: Ottumwa Economic Development Corporation and prior City annual reports

* Estimated

CITY OF OTTUMWA, IOWA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function</u>	<u>Full-Time Equivalent Employees as of June 30</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government	13	13	13	13	13	13	12	12	12	13
Public Safety:										
Police:										
Officers	34	36	36	36	36	36	36	36	36	36
Civilians	11	11	11	11	11	11	11	10	10	10
Firefighters	33	33	33	33	33	33	33	33	33	33
Public Services:										
Engineering	7	7	8	8	8	8	8	8	8	9
Maintenance	32	32	32	33	33	33	33	32	34	34
Health and Social Services	7	6	6	6	7	7	7	6	6	6
Culture and Recreation:										
Parks/Beach	30	30	30	30	29	29	29	29	26	26
Cemetery	7	7	7	7	6	7	7	7	7	7
Library	11	11	12	12	10	12	10	10	10	11
Community Development	5	5	5	5	5	5	5	5	4	4
Solid Waste	12	12	12	12	12	12	12	13	13	13
Sewer	21	21	21	21	21	21	21	22	22	22
Transit/Golf	15	15	15	15	15	15	16	19	19	18
 Total	 <u>238</u>	 <u>239</u>	 <u>241</u>	 <u>242</u>	 <u>239</u>	 <u>242</u>	 <u>240</u>	 <u>242</u>	 <u>240</u>	 <u>242</u>

Source: City Personnel Budget

CITY OF OTTUMWA, IOWA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
Function	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police: (1)										
1. Physical arrests	3,157	3,530	3,864	3,786	3,127	2,990	3,357	3,695	3,623	3,607
2. Traffic tickets	5,094	6,919	4,523	5,185	3,631	5,740	5,355	4,561	4,277	4,675
3. Parking citations	4,524	4,896	4,899	5,737	8,005	7,025	5,942	5,174	3,158	2,587
Fire: (1)										
4. Number of calls answered	838	822	782	784	832	713	1,566 (3)	2,228	2,223	2,297
5. Number of inspections	173	166	180	216	175	135	143	139	145	137
Highways and Streets: (2)										
Street resurfacing (miles)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Pot holes repaired	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Utility patches repaired	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
City Sanitation:										
Refuse collected (tons)	5,628	5,787	5,879	5,931	5,944	6,341	6,352	6,382	6,587	6,641
Recyclables collected (tons)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	1,074
Solid Waste:										
Landfill tonnage	37,425	35,401	32,901	29,527	33,926	33,065	41,498	41,503	35,670	37,793
Recycling tonnage	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2,968
Health Department:										
Number of inspections	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2,495
Nuisance complaints	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2,926
Culture and Recreation:										
Beach Ottumwa admissions (2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Golf rounds played (1)	(2)	(2)	(2)	(2)	(2)	27,951	27,500	28,940	30,740	31,112
Wastewater: (1)										
Average sewage treatment (thousands of gallons)	5,623	5,707	6,959	5,228	4,275	6,071	4,894	4,437	5,621	4,768

Sources: Various City Departments.

(1) Police, Fire, Golf and Wastewater statistics are for the previous calendar year

(2) Information not readily available

(3) Fire Department started responding to traffic accidents and medical calls during 2003

CITY OF OTTUMWA, IOWA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
 UNAUDITED

Function	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10	10	10	10	10
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and Streets:										
Streets (miles) (2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Streetlights	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,358	2,358
Traffic signals (2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	27
Culture and Recreation: (1)										
Parks acreage	716	716	716	716	716	716	716	716	533	533
Parks	17	17	17	17	17	17	17	17	19	19
Playgrounds	14	14	14	14	14	14	14	14	11	11
Tennis courts	17	17	17	17	17	17	17	17	10	10
Softball/baseball diamonds	24	24	24	24	24	24	24	24	20	20
Library:										
Items in collection	77,223	77,223	67,038	67,248	67,296	60,743	61,416	64,262	67,217	71,077
Cemeteries:										
Facilities	2	2	2	2	3	3	3	3	3	3
Acreage	84	84	84	84	88	88	88	88	88	88
Sewer:										
Sanitary sewers (miles) (2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Storm sewers (miles) (2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Maximum daily treatment capacity (thousands of gallons)	12,500	12,500	12,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000

Sources: Various City Departments.

Note: No capital asset indicators are available for the general government function

(1) The City also owns one golf course (Cedar Creek) and one water recreation park (Beach Ottumwa)

(2) Information not readily available

CITY OF OTTUMWA, IOWA



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"Achieving your goals with our knowledge"

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C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members
of the City Council
Ottumwa, Iowa

We have audited the accompanying financial statements of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City of Ottumwa, Iowa's basic financial statements listed in the table of contents and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ottumwa, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ottumwa, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
September 8, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Honorable Mayor and Members
of the City Council
Ottumwa, Iowa

Compliance

We have audited the compliance of the City of Ottumwa, Iowa with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Ottumwa, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express an opinion on the City of Ottumwa, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on each of the City's major federal programs occurred. An audit includes examining, on a test basis, evidence about the City of Ottumwa, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ottumwa, Iowa's compliance with those requirements.

In our opinion, the City of Ottumwa, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of the City of Ottumwa, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over compliance with requirements that could have a direct and material effect on each of the City's major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

215 West Fourth Street • P.O. Box 533 • Ottumwa, Iowa 52501 • (641) 684-5489 • Fax (641) 683-1665

103 Benton Avenue East • Albia, Iowa 52531 • (641) 932-3295 • Fax (641) 932-2549

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
September 8, 2006

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were noted.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:

CFDA Number

66.606	EPA Grant
20.509	Formula Grants for Other Than Urbanized Areas
20.513	Formula Grants for Other Than Urbanized Areas

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. City of Ottumwa, Iowa qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

No material weaknesses in internal control over the major programs were reported.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-06 Certified Budget - Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the health and social services and culture and recreation functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in the future if applicable.

Conclusion – Response accepted.

The City properly amended its budget in August 2005 (amendment number one). In May 2006, an additional amendment was made (amendment number two). When this amendment was approved and published, the City mistakenly used amounts from amendment number one from 2005 rather than 2006. Consequently, all the beginning amounts are incorrect for amendment number two. When the City became aware of this problem in June 2006, an amendment was made to correct this (amendment number three).

- IV-B-06 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-06 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Yeager, Fireman C & W Boiler	Repairs	\$ 9,702
Bryan Blumer, Fireman Blumer Construction	Construction	\$ 7,952

In accordance with Chapter 362.5(10) of the Code of Iowa, cities can conduct up to \$1,500 of business with City officials during the year without it being considered a conflict of interest. Transactions exceeding that amount may represent conflicts of interest. The transactions with Blumer Construction are not considered conflicts of interest because the transactions were entered into under competitive bid.

Recommendation – The City should take steps to comply with the Code of Iowa.

Response – C & W Boiler is the most responsive and economical boiler repair service available. Other boiler companies are either unable or unwilling to respond to our boiler repair needs.

Conclusion – Response accepted.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

- IV-E-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-06 Deposits and Investments - Except as follows, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

Annuities – Investments in annuities were held by the Cemetery during the year ended June 30, 2006. The City's deposit and investment policy does not specifically allow investments of this type.

Recommendation – The City's deposit and investment policy should be updated to include provisions for investing in annuities

Response – The City is planning on updating the investment policy to expand Cemetery investments as allowed by Iowa law.

Conclusion – Response accepted

CITY OF OTTUMWA, IOWA